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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS v. 4 - 6

HELD AT

FREDERICTON, N.B. October 26-27-28, 1955

Fredericton, New Brunswick

The sitting of the commission in Fredericton was opened in the court room, York county court house, at 10:00 a.m., Wednesday, October 26, 1955.

PRESENT: Mr. W.L. Gordon, Chairman;

Mr. Omer Lussier;

Mr. Andrew Stewart;

Mr. Raymond Gushue;

Mr. A.E. Grauer

APPEARANCES: Hon. H.J. Flemming,
Premier of New Brunswick;

Mr. J.A. Paterson,
Department of Industry and
Development;

Professor W.Y. Smith,
University of New Brunswick;

Dr. H.J. Rowley,
New Brunswick Development Board;

Mr. C.S. Clements,
Director of Mines;

Mr. R.E. Tweeddale,
Assistant Chief Engineer,
New Brunswick Power Commission;

Mr. E.M. Taylor,
Deputy Minister of Agriculture;

Mr. R.F. Fitzrandolph,
Controller General,
New Brunswick Treasury Department;

Mr. K.B. Brown,
Department of Lands and Mines;

Professor S.L. Pringle,
University of New Brunswick;

Mr. J.C. Udd, President,
Stratmat Limited;

Mr. M.J. Boylen,
President and General Manager,
New Brunswick Mining and Smelting Co.;

Dr. J.S. Bates, Chairman,
New Brunswick Forest Development Commission;

Mr. A.A. Arsenault) New Brunswick
Mr. Frank Lutes) Federation of Agriculture

THE CHAIRMAN: Well, Mr. Premier, in calling this meeting to order I would like to say how very pleased we are to be in Fredericton. We started our formal sessions in the maritimes, as you know, and we have had a most interesting time in the other three Atlantic provinces. We are very happy now to be in New Brunswick.

We have had an opportunity of reading this really very excellent brief which you are about to present to us, and we are grateful for the work and the thought that have gone into it. We are encouraged by the optimistic note it carries all through it, about the things that may happen in this part of the world.

We are also very grateful to you for the weather with which you have provided us. It is quite up to Charlottetown, where we heard a certain amount about the weather.

Will you be kind enough to commence the proceedings, Premier Flemming?

PREMIER FLEMMING: Mr. Chairman, before I start on this prepared script, may I express to you in a personal sense our appreciation at the kind words you have just offered to us, and say that it is not usual for New Brunswick to be the last of the Atlantic provinces, as was mentioned by the chairman of the commission. We hope that that has no particular significance.

As a matter of fact I find that one always has to repeat the things they learn from experience. Since my experience has been, to a certain extent at least, political, I have found that the man with the last word has some advantage. So I hope that will apply to our proceedings at this stage.

Mr. Chairman, in officially presenting this brief to you, there are some remarks I feel are fitting and proper to be made at this point. Before I begin, may I express the appreciation of the government to this committee whom you see before you, for their special part which they took in the preparation of the brief. We expect and receive, and we certainly appreciate, the very **fine**, devoted and loyal service we have received from all our officials in this government. In this particular case, however, I think it only right that we should particularly mention those three gentlemen who were particularly concerned; Mr. Paterson of the Department of Industry and Development, Professor W.Y. Smith, Economic Adviser to the New Brunswick government, and Mr. Fitzrandolph, the Controller General.

On behalf of the government and people of New Brunswick, I extend to you and your fellow commissioners a warm welcome.

I regret that your busy schedule does not give you time to see more of our province and to meet more of our people, as in this way you could get additional first hand information about us and our problems.

I believe you would find that with our vast, but as yet practically undeveloped resources, and the spirit of optimism which now prevails among us, the stage is set for a period of economic expansion here in New Brunswick.

The industrial and economic growth of Canada as a whole has been unprecedented during the past few years. This is a fact which I need not repeat here. You know it well. The fact that I must stress in your presence is that New Brunswick has not shared to a proper degree in this great Canadian economic advance.

As a matter of fact, for nearly 100 years the relative economic level of this province has been steadily declining, as tables in our brief will indicate. Since 1952 there have been signs that this trend may be reversed. Foremost among them has been, of course, the discovery of huge mineral deposits here. But unless we can supply adequate amounts of low-cost electrical energy this great wealth will only be dug up to be carted away and processed elsewhere. New Brunswick will be destined for years to come to remain the hewer of wood and

drawer of water that it has been for years past. But, gentlemen, this province is no longer content to remain one of the weakest links in the confederation. If need be, we will fight for our place in the economic sun.

At this stage, Mr. Chairman, may I digress to refresh your minds in regard to some of the historic background having to do with our entry into confederation. I do this not so much to review the past as to help in charting the future.

Gentlemen, you have come to Fredericton direct from Charlottetown, the cradle of confederation, where in 1864 leaders in the political life of the colonies of New Brunswick, Nova Scotia and Prince Edward Island gathered to discuss ways and means by which they might improve their general situation, increase their already considerable north and south trade and, specifically, to consider the possibility of maritime union.

To this meeting at Charlottetown came, as you will recall, emissaries from the government of Upper and Lower Canada, who urged the meeting to adjourn to meet at a later date to consider a wider union of British North American colonies and the general principle of setting up a central government for all.

After a series of conferences, this country known as Canada then came into being. Opponents to confederation were numerous in New Brunswick. At one time the government of the day,

sponsoring union, sustained overwhelming defeat. Out of 41 members, all but six supporters of confederation were voted out by the people. It took time to convince New Brunswickers that trade could be made to flow successfully east and west. They felt that their geographical position lent itself naturally only to the flow of trade north and south.

At the next provincial election, however, the people of New Brunswick reversed their decision. In the meantime, the majority of the voters had been persuaded that the proposed union would be more favourable to the British connection, which seemed to our loyal people of greater importance than their own economic problems. There is little doubt but that the threats of invasion from the United States at this time did much to influence New Brunswick voters in favour of confederation.

As the new union was based economically on the principle that trade was to flow east and west instead of north and south, a medium of transportation had to be furnished to bring about this end. This medium was the Intercolonial Railway. And, gentlemen, it was not the intention of the fathers of confederation that this link, to bring the maritimes into contact with the rest of Canada, should become an instrument of profit, a purely dollars and cents proposition. The Intercolonial Railway was built for the purpose of linking together and building up a new nation. Its rails were laid to furnish the people of the provinces on the

Atlantic seaboard with an access to profitable markets to replace natural markets of which confederation deprived them.

Do you not agree with me that this purpose has been entirely forgotten? I think so; and I was forcibly reminded of it recently by a specific instance. Three weeks ago I drove down to beautiful Fundy Park in Albert county, New Brunswick. For miles along the route crews were busy tearing up rails owned by the Canadian National Railway. And why this retrogressive step? Because, I was told, the railway did not pay. And this at a time when rich mineral deposits are being uncovered in Albert county, which, if they are developed, will undoubtedly call for more and better railway service, rather than none at all. This is the kind of thing that we in New Brunswick fail to comprehend.

The vision of the fathers of confederation in regard to transportation clearly has not been realized. On the contrary, it has been absolutely perverted, thwarted, and practically nullified. Yet when we in this part of Canada attend meetings, conferences and so on in other parts of the country, we are frequently treated as if we were complaining poor relations or querulous beggars. The delegates who came to Charlottetown in 1864 were not so treated by us. If they had been, things would certainly have been different -- how different I cannot say.

Gentlemen, I am sure you will not fail to take into consideration in your deliberations the

possible effects of the St. Lawrence seaway on the economy of this province. This gigantic development, undertaken at the expense of the Canadian taxpayer, including taxpayers in New Brunswick, is almost sure to have an adverse effect on our economy. Yet with our usual desire to be fair and to help out the country as a whole, we have had little if anything to say against it.

We all know that the St. Lawrence seaway must inevitably further reduce railway traffic, both passenger and cargo, in the Atlantic region. Indeed, as Dr. Avar, editor of the *Maritime Advocate*, said in an editorial:

"It may well be the final blow to those two great institutions, the Canadian National Railway and the Canadian Pacific Railway, which have helped to keep things moving for so long in the maritime provinces.

"Remember, that when confederation was initiated in order that these eastern provinces might be induced to form part of the new Canada, it was agreed that the Intercolonial Railway should be built -- so that these maritime provinces would be connected up with the other provinces and so a real unity exist. That was one of the conditions of confederation. And now -- what? We are going to allow the upper provinces to almost contradict

that -- shut us off, to some extent, not only from Quebec and Ontario, but from the western provinces."

He adds:

"Officials in Ottawa promoting the St. Lawrence seaway seem far more concerned about how it will suit the U.S.A. than they are to any detriment it may cause the maritimes!"

It is my firm conviction that the great economic experiment undertaken by confederation to make trade flow artificially east and west instead of naturally north and south was like trying to make water run up hill. It has turned out to be like our own famous magnetic hill in New Brunswick, a definite illusion.

At the time of confederation the voice of the maritimes was heard and heeded throughout Canada. It will be heard again. There are men in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland today who are willing to fight for the maritimes, and to make the voice of the maritimes heard and heeded once again.

Today, nearly 100 years after confederation, you gentlemen come among us to study, report and recommend ways and means to help rectify some of the economic ill effects still existing. We are here to make concrete suggestions through which we feel an improvement in our situation can be effected.

But before coming to the matter of specific

recommendations I should like to say, and I say it in sadness, that we in New Brunswick have so far had little cause to pin our hopes on commissions. We must admit that the Duncan commission and later the White commission did make recommendations which, when implemented, were some help, though we still suffer from lack of accessible markets. In the case of the Rowell-Sirois commission the recommendations were clearcut and specific. But, I ask you, how many of those referring to the maritimes have been carried out? I cannot recall one.

However, gentlemen, we have a feeling that in your case there will be a difference. You will come, see and eventually recommend ways by which we may conquer our difficulties. For, as I said before, New Brunswick is no longer content to remain one of the weakest links in the Canadian confederation.

I now turn to the immediate and practical aspects of your responsibility. How best can the long term disabilities, which I have mentioned, be modified or overcome? How wisely can we chart the future development of our economy so that it may be integrated with and strengthen the Canadian economy as a whole?

Specifically, Mr. Chairman and gentlemen of the commission, we recommend first, federal assistance for power development. We believe that the federal government should and must establish a policy of assistance to provinces for public

investment and natural resources development.

In New Brunswick our overwhelming need -- the key to all our future development -- is the provision of large supplies of relatively cheap electric power. The capital investment required in this case is relatively tremendous where our mines and forest industries are entering upon a period of great and rapid expansion. The tables in our brief are startling, I assure you. We believe that the national government should properly assist, not only for the sake of New Brunswick and for regional considerations, but in the national interest as well. As I have said, a chain is only as strong as its weaker links. Every move designed to correct regional unbalance is a constructive achievement in the cause of Canadian unity and strength.

We have suggested a number of ways in which the necessary assistance could be extended involving loans, guarantees or special financial provisions of other kinds. The suggested methods do not need to be repeated here but it cannot be reiterated too often that capital requirements for power development in New Brunswick make it imperative for federal action of some kind at the earliest possible moment.

The province will also require capital assistance -- or it will be required by the municipalities -- in order to deal with stream pollution and to construct public works in this connection.

We believe that the federal government should assume full responsibility for the trans-Canada highway programme and for the construction and

maintenance of roads of national and international importance. As this matter will be the subject of a forthcoming federal-provincial meeting, I do not stress it further at this time.

The No. 2 point in these remarks is the proper correlation and integration of New Brunswick's transportation needs with the rest of the Canadian economy.

Our detailed submission will indicate the great importance of transportation costs to our competitive industrial position. It will indicate that a new national transportation policy needs to be evolved which will recognize the great changes, especially in motor transport, which are taking place.

We strongly recommend that a definite move be made in the direction of restoring the differentials which were of some benefit to the maritime provinces in the early days of the Intercolonial Railway and again following the passing of the Maritime Freight Rates Act in 1927; and I might say I think the words "some benefit" are a definite understatement. It should read "great benefit". The horizontal increases of recent date coupled with special rate concessions to combat truck competition with the railways have re-introduced most of the imbalance and maladjustment which the Maritime Freight Rates Act was designed to end forever. This situation must be corrected if our few remaining specialty manufacturers are to have any fair chance to compete in the all-Canadian market.

The "buy up and close up" policy which

transportation conditions have created has deprived us of many industries in recent years. In the interests of national unity we strongly contend that central Canadian producers should not continue to enjoy such overwhelming advantages in competing with New Brunswick producers.

We also believe that more extended use should be made of the harbour and shipbuilding facilities at the port of Saint John.

The third point is consideration of regional marketing and production problems in farming national economic policy.

We recognize the great and perhaps overriding considerations which dictate the broader aspects of tariffs, control of money and other responsibilities of the national government. However, we feel that quite often regional needs could be taken care of if the machinery existed for them to be given proper consideration. Much of international trade is carried on by multilateral agreements which, in some instances, fail to give due recognition to the interests of regional producers. Potatoes and fish are cases in point. Trade policy could assist in New Brunswick's marketing of these two commodities.

The fourth point is federal assistance to maintain satisfactory levels of employment.

There are a number of deferrable projects which require considerable capital investment but which could bring permanent benefits to the provincial economy. In this category are municipal

projects of many kinds, the construction of access roads to forest and mineral resources. These could be implemented when levels of employment show a tendency to fall; and, properly timed, could do much to assist regional problems of unemployment. It is our view as well that the industrial development bank could establish a policy for assisting private enterprise in the same direction.

The fifth point is federal assistance in economic research and technical surveys required for regional development.

We are finding it increasingly necessary to secure proper technical surveys of our resources. Indeed, it is essential to keep our whole economic situation under constant survey and study. As everyone knows, this is an expensive process and, we feel, one that should largely be assumed by the federal authority. We suggest that a new policy be developed to collect the necessary data and make it available to the provincial governments and regional producers.

Now, Mr. Chairman, I want to summarize our recommendations again:

- (1) Federal assistance for the development of natural resources, especially power development.
- (2) Proper correlation and integration of New Brunswick's transportation needs with the rest of the Canadian economy.
- (3) Consideration of regional marketing and production problems in framing national economic policy.

- (4) Federal assistance to maintain satisfactory levels of employment.
- (5) Federal assistance in economic research and technical surveys required for regional development.

This summary represents but the gist of our submissions. They are given in extended detail in this brief which is being duly presented. Yet, gentlemen, behind these tables of statistics and the careful presentation of economic facts, I know that you will also take into account the needs and loyalties of a proud and patient people on the threshold of a great opportunity. We were Canadians when there was no Canadian west. I trust, sir, that you will keep these values in mind as well as the mere facts and figures which we place before you.

In 1967, 12 years from July 1 last, we shall be celebrating the one hundredth birthday of confederation. It is my hope that these years will be used to the best advantage in order to realize the visions and aspirations which originally moved the political leaders of the maritime provinces to undertake their gigantic task and to co-operate with leaders from the central provinces in building a great Canada.

I should like to request, Mr. Chairman, that Dr. Bates, head of our forest development commission, Dr. Boylen, who is the president of New Brunswick Mining and Smelting, and Mr. J.C. Udd, who is president of Strategic Metals, and who has great

plans in mind for New Brunswick in connection with the development of manganese ore, might be called when you feel the time is opportune, I ~~might~~ **say** preferably to-day because they have come a long distance. I think you might be glad to give them a chance to tell them of their plans in more detail. I am sure that would be of great interest to you in your work, as it certainly is of great interest to us here in New Brunswick.

In the meantime I believe you would like to discuss informally the brief itself; so with those suggestions about calling these gentlemen to support our contentions, I thank you for this opportunity of appearing before you and I appreciate very much the very close attention which you have given these remarks.

THE CHAIRMAN: Thank you very much, Mr. Premier. I think it is your intention that Mr. Paterson should go over the brief with us, and I expect that may take some time, because we will certainly want to go into it fairly thoroughly. Following that we may call on Dr. Bates, if it meets with your approval, and Dr. Boylen and Mr. Udd; and I am sure we can do that today.

PREMIER FLEMMING: That is fine. I suppose I should be really formal and officially present you with the New Brunswick brief.

THE CHAIRMAN: Thank you. We will mark it as Exhibit 18. Mr. Paterson, would you like us to ask questions as you proceed, or would you like to go

through the document and then have questions asked at the end?

MR. PATERSON: I would prefer to go through the brief, if that suits you. Reading it may take some time.

In the preparation of this brief and its presentation, the government of New Brunswick, in the limited time at its disposal, has worked within its interpretation of the terms of reference of the order in council creating the royal commission, and have followed the guiding suggestions which the commissioners have outlined.

These are indeed broad in scope. The projection of the economy of a rapidly growing nation -- and in particular that portion of it represented by the province of New Brunswick -- over 20 or 30 years demands moving into the field of generalities in some instances. Much of the information presented is however factual or as nearly so as can be in the light of present knowledge.

Certain basic estimates have been made only after careful study and the application of indicated trends. These have been arbitrarily adopted for much of the forecast anticipated. As far as has been possible, all phases of economic activity have been considered and their place in the scheme of things and things to come indicated.

The purpose of the brief has been, firstly, to appraise the resources -- both human and otherwise -- which are available or may become available, and

secondly, to suggest the means for their maximum development over the period under consideration.

Therefore, reasonably complete inventory material of known resources has been assembled and an estimated requirement of the factors for their full utilization prepared. Further, a review has been made of those limiting factors, both natural and man-made, which may affect the orderly and full development of the area.

Finally, suggestions have been made which, if implemented, would tend to reduce the inequalities standing in the way of a fully balanced Canadian economy -- an economy in which all Canadians may enjoy a high standard of living and where no area will exist as a continuing charge upon the rest of the country.

New Brunswick entered confederation with a relatively highly developed and prosperous economic system. The techniques of wood, wind and water had been all highly favourable to the development of an area which was girt by the sea and possessed a climate which was highly conducive to the growing of trees. However, basic economic, technological and political changes which would greatly decrease the rate of economic growth were already at work or were just over the horizon. This fact was obscured for a time by the prosperity which resulted from the American civil war but it became increasingly apparent as the depression which began in 1873 dragged on toward the end of the century.

After 1880, the rate of growth of New Brunswick and the rest of the maritime provinces began to lag far behind that of the Canadian economy as a whole. The reasons for the relative decline in the rate of growth of the maritime economy are not difficult to discern. None of the great factors which make for economic growth: a rapidly increasing population, favourable technological changes, an expanding frontier, were present to a sufficient degree to provide a stimulus to the economy. This was due to a whole series of inter-related factors which wrought great changes in the Canadian economy in the space of less than half a century.

The following factors contributed greatly to the decline in the rate of growth of the economy of New Brunswick:

(1) The advent of the steamship rapidly brought about the decline of the great New Brunswick shipbuilding industry. The comparative advantages of New Brunswick in the construction of steel steamships were not as great as in the production of wooden sailing ships and entrepreneurs in New Brunswick failed to cope with the technical change.

(2) The development of a national railway system broke down the local regional market on which the small scale New Brunswick manufacturer depended and established a national market in which he found it increasingly difficult to compete.

(3) The growth of protectionism both in Canada as part of the national policy and in other

countries, particularly the United States, destroyed much of the situation advantages of New Brunswick.

(4) Technological changes, particularly in manufacturing industries, favoured the large scale plant located in areas with a high population density which would provide the required mass market. This inevitably resulted in the concentration of Canadian manufacturing industries in central Canada and the elimination of the small New Brunswick producer.

(5) The general comparative advantages of the resources of New Brunswick declined as the development of western Canada opened up the very extensive resources of the prairie provinces and British Columbia. At the same time, the situation advantages of New Brunswick industry within the Canadian market steadily declined.

(6) The opening of the Panama canal brought greatly increased competition for the New Brunswick lumbering industry.

In the period 1870-1920 the above factors adversely affected the determinants of economic growth and led to a rate of expansion which was far below that of Canada as a whole. In the 50 years from the census of 1871 to 1921 the population of New Brunswick increased by 36 per cent, that of Canada by 138 per cent. In 1870 the gross value of the output of New Brunswick manufacturing industries was 7.8 per cent of national output. By 1920 it had declined to 2.9 per cent. Thus, the first half century of confederation saw an almost continuous decline in the rate of economic growth of

New Brunswick as contrasted with that of the whole Canadian economy.

The period from world war I to world war II was marked by the most important industrial development which has taken place in New Brunswick since confederation -- the growth of the pulp and paper industry. By 1939 the six pulp and paper mills operating in the province accounted for 42.2 per cent of the total capital invested in manufacturing industries, produced 23.7 per cent of the total value of manufactured goods, and paid 23.4 per cent of the salaries and wages.

However, the development of the pulp and paper industry coincided with the decline of the long lumber industry and thus brought a shift within New Brunswick's forest industries rather than an expansion of the group of industries as a whole.

From the census of 1921 to 1941 the population of Canada increased by 31 per cent but that of New Brunswick increased by only 18 per cent. Throughout the great depression of the 1930's only Saskatchewan and Prince Edward Island had lower incomes per capita. From 1920 to 1939 the gross value of the output of the province's manufacturing industries dropped from 2.9 per cent of the national figure to 1.9 per cent and the number of people employed in manufacturing industries declined from 19,241 to 14,501, a decrease of 24 per cent. During this period a new factor began to retard the economic growth of the province. The cost and availability of electricity in New Brunswick became one of the major factors which retarded the growth of manu-

facturing industries.

World war II brought a great increase in economic activity in New Brunswick as it did throughout the rest of Canada. The per capita income of the people of New Brunswick rose from 64.8 per cent of the national average in 1939 to 69.4 per cent in 1945. However, wartime expansion, due to the strategic importance of the region and the dearth of heavy industry, was concentrated primarily in the construction of installations for the three services and service industries. As a result, the province did not experience the industrial revolution which other parts of the country enjoyed and the war left no legacy of large scale industrial plants to serve as a firm basis for post-war expansion.

With the conclusion of world war II and the removal of the stimulus of defence spending, the traditional weaknesses were reinforced by the fact that the province had had little of the wartime industrial development which was of such benefit to other areas of the country, particularly central Canada. The result has been that the expansion of the provincial economy has continued to lag behind that of the rest of Canada.

Personal income per capita in New Brunswick declined from 72.4 per cent in 1946 to 61.8 per cent in 1953. There was some improvement in 1954 but, even then, the per capita income of New Brunswick was only two-thirds the national figure. Indeed, the per capita income of New Brunswick in 1954 was almost exactly equal to the per capita income of Canada in 1946.

Table II shows the trend of new investment per capita in New Brunswick and in Canada for the five years 1949-1953. This is a most important indicator of economic growth. It reveals that New Brunswick new investment per capita expressed as a percentage of new investment per capita in Canada fell continuously from 79.3 per cent in 1950 to 51.1 per cent in 1953.

In the five year period 1949-1953 new investment in the province totalled 533.7 million dollars. Investment in manufacturing in this period was disappointing in that it showed no pattern of growth. In fact, the level of investment in 1953 was below the level of 1949 expressed in terms of current dollars.

Although the rate of growth of the New Brunswick economy since the end of world war II has been relatively slow, there have been definite indications in recent years that a more rapid growth can be anticipated in the future. Recent discoveries and surveys have indicated that the province possesses base metal deposits, a forest potential and sources of hydroelectric power which can bring a greatly increased rate of growth in the future. These factors will, of course, be dealt with in detail in the main part of this brief. Some improvement in economic conditions in the province has been already apparent in 1954 and 1955, when investment achieved the highest levels of the whole post-war period.

We deal now with the supply of the factors of production for the New Brunswick economy. The first of these factors is the people of the area and the

labour force which is drawn from them. An estimate is made of how their numbers may be expected to increase and the external factors which may affect this pattern.

The natural resources of the province are then analyzed at some length and their potential as a basis for future expansion of the economy examined with a view to their best utilization and maximum development.

Finally, the sources of energy available to the province are fully examined, their potential from all origins weighed and the future requirement for full development of the economy estimated.

Next is the trend of population growth and labour force forecasts.

Preparing estimates of population in the future is never a very satisfying exercise because the possibilities of error are so large and the records of the failure of past estimates are so extensive. However, the rate of population increase is an extremely important determinant of economic growth and, as such, must be given consideration in a brief of this nature.

For the past 30 years the birthrate of New Brunswick has been well above that of Canada as a whole and there is no reason to believe that the future will bring any change in this relationship. For example, in 1954 the birthrate for New Brunswick was 30.8 per thousand as contrasted with a national birthrate of 28.5.

The following are estimates of the

future population of New Brunswick prepared on the basis of the following assumptions:

(1) That the present birthrate of approximately 31 per thousand will decline gradually over the next 10 years until it reaches 28 per 1,000 in 1965. Some decrease can be anticipated because the present birthrate is inflated to some degree by the marriages which were postponed as a result of world war II and to the reduction in the average age at which marriages are taking place.

(2) That the annual death rate over the next 30 years will average eight per 1,000.

(3) That net migration from the province will fall from the average annual total of approximately 4,700 for the period 1950 to 1954 to an average annual total of 3,000 for the period 1955 to 1960 and to 1,500 for the period 1960 to 1965. Estimates after 1965 have been prepared on the basis of the assumption that economic conditions will be such that there will be no net migration out of the province. This, of course, means that the province will hold its natural increase. Based on the foregoing, we estimate that the population will increase to 663,000 in 1965; 770,000 in 1975, and by 1985 it will have reached 911,000 people.

Most of the population is of British or French origin -- 57.2 per cent and 38.6 per cent respectively. The latter group is tending to increase at the greater rate. The people are an industrious and home-loving group, about 40 per cent of them living in

the larger cities and towns.

Estimates of the future size of the labour force are even more difficult to make than estimates of future population, because the size of the labour force is determined by an even more complex number of variables. However, in the past, the size of the New Brunswick labour force has borne a surprisingly fixed relationship to total population.

It seems reasonable to assume that for the period 1955 to 1960 there will be no great change in the relationship of the size of the labour force to the population of the province, so that it will remain at approximately 33 per cent. However, after 1960 the rise in real income may be such that young people will enter the labour force at a greater average age and older people will leave it at an earlier average age. Thus it seems realistic to assume that after 1960 the labour force will tend to diminish slightly as a percentage of total population.

On the basis of these estimates, the New Brunswick labour force should increase by 89,000 in the next thirty years. This is approximately 50 per cent above the present level of 184,000 or a total of 273,000. Whether or not this is possible will depend on the resources which are available to the provincial economy and the rate at which they are developed.

Land, sea and streams. The land area of the province amounts to 27,985 square miles, preponderantly forests with the remainder, or about one-fifth, developed to some extent agriculturally in

scattered areas. There is some quantity, although not great, of waste land -- swamps, barrens, etc.

The forested areas which early were famous as the source of supply for white pine masts and spars for the Royal Navy in the 18th century remain as the chief basis for the province's economy. The land is well suited to forest growth and most of it unsuitable for agricultural development in any case.

On the east coast large areas of marsh-land and peat bogs occur. Greater utilization of the latter in agricultural application has opened the possibility of substantial commercial development. Tidal marshlands are a characteristic of the areas bordering upon the waters of the eastern extremity of the bay of Fundy.

The rolling nature of much of the province allows few opportunities for the undertaking of large scale farming operations on unbroken plains. While elevations are not great anywhere, contours are sharp.

The agricultural land lies chiefly in the valleys and along the coasts. In 1951 there was a total of just over one million acres of improved farm land. Three-quarters of this was under crops and the balance in pasture land and other uses. Generally speaking the soils do not have a high level of fertility and for the most part are acid in nature. Certain areas do, however, lend themselves to a particular type of crop, for example the success of potato growing in the upper Saint John river valley.

Very fertile areas are to be found in the flood plains of some of the rivers where the soil is replenished by alluvial deposit in the spring freshet season.

Poor drainage is a characteristic of much of the farm land in the province. This is being corrected by a programme of ditching and tile installation sponsored by the provincial government.

As noted, much of the farm land won from the forest due to the early settlement pattern was dictated by factors other than agricultural pursuits and was not always suited to this purpose. This poorer land is being gradually removed from cultivation and usually returned to forest growth to which it is more suited. This trend has contributed to a net decrease in the farm acreage of the province.

The sea as a resource is one of great importance to New Brunswick. In the province's earliest years it formed the chief transportation route between settlements and resulted in the development of population centres around the coast. The truck has largely supplanted the coastal ship today, but some trade is carried on by waterborne means.

Without the sea the important winter port activity in Saint John would not exist nor would much of the commercial life of that city.

Proximity to the sea and the ocean routes to world markets is a distinct advantage to

much of the industrial life of the province, particularly the lumber industry, and accounts in part for its success in the field of exports.

A seacoast location has also made possible the important shipbuilding and drydock enterprise which contributes substantially to the economy of the province. A number of smaller shipyards also exist, catering largely to the local demands of the fishermen.

The fishing industry is one of the oldest in the economy of the province and on a commercial basis depends almost entirely upon coastal waters.

Finally, the exceptionally high tides of the Bay of Fundy might well prove a resource of untold wealth to the province through their utilization as a source for electrical energy.

The sea will remain an important resource to the province, and one which will not diminish over the years but rather become a greater factor in the economic growth of the area.

In its rivers and streams the province possesses a resource of considerable value. These were originally of some importance as a means of transportation but their day as highways of commerce has greatly diminished. Very little freight is now carried on these inland waterways, although they remain of great importance as the means by which much of the lumber and pulpwood is conveyed to the processors.

The principal value of the streams is now their potential as a means for the generating of electricity. It is estimated that the potential

total hydroelectric development that can be obtained from New Brunswick streams amounts to 537,500 kilowatts of which only about 20 per cent has been developed at this time.

The forests as a resource. Recent aerial surveys indicate that 81 per cent of the province, or about 14,600,000 acres, is covered with productive forests. The total area of land under cultivation has been decreasing and forest fire protection has improved. As a result the forest area may increase slightly but is not likely to exceed 15 million acres or 83 per cent of the total area.

The forested areas are well distributed throughout the province and about 25 per cent of the total is made up of farm woodlots and similar small holdings. Most of these are found in the south and west parts of the province while the central and northern areas are almost unbroken forest except for a fringe of settlement along the coast.

About two-thirds of the forest by volume is made up of conifers. Tree species in order of importance are spruce, balsam fir, pine, cedar, hemlock and tamarack. The remaining third of the forest is made up of broad-leaved species including birch, maple, beech and poplar.

A forest inventory now under way, and scheduled for completion by 1958, is expected to show volumes of merchantable wood considerably in excess of ten billion cubic feet. About one-third will be hardwoods and only a small fraction of this will be

suitable for lumber or veneer under current utilization standards. Most of it could, however, be utilized for pulp if sufficient market develops. It is also anticipated that spruce and balsam fir, the species favoured for pulpwood, will make up more than half of the total volume of wood found by the inventory.

An important attribute of the New Brunswick forest resource is that soil and climatic conditions are excellent for natural reproduction. Growth rates and production of wood in relation to area is rapid and compares favourably with that reported from most other parts of Canada.

Current yields of forest products are in the order of 200,000,000 to 250,000,000 cubic feet annually with less than one-fifth made up of hardwood species. Cutting relation to maturity of trees is far from ideal and utilization could be improved. It is estimated that annual yields of 300,000,000 cubic feet of softwoods and 150,000,000 cubic feet of hardwoods could reasonably be obtained from the forests, provided markets were available for all species. This could be improved in the long run by better forest management and cutting practices.

The use of the forest for recreational pursuits and for watershed protection need not interfere to any large extent with the production of wood for industries. Additional values obtained in this way are substantial.

Minerals. In the past the production of minerals has not been of major importance to the

economy of New Brunswick. Since late in the 19th century coal was the most important of the province's minerals and the fields at Minto have probably been in operation longer than any other in North America.

Several other non-metallic minerals have been mined and developed commercially, notably gypsum, of which there is a great quantity in the province; limestone, which is the basis of a recently established cement plant; and peat moss, which occurs in vast quantities, particularly in the northeastern part of the province.

Various stones, clays and gravel have been exploited over the years for building purposes.

Manganese ore deposits occur in some 48 areas in the province with the most extensive being in the Woodstock area of the upper Saint John river valley and in the Tetagouche watershed. Until recently it has not been feasible to develop this mineral because of the difficulties in upgrading the ore. However, a new electrothermo process recently developed looks favourable, and an early development of the Woodstock ore is anticipated.

In this process, as in others of an electrothermo nature, the supply of cheap electric power is important, as this is a large factor in total production costs.

This will be an important consideration in the development of the project which could be of great significance to the economic development of the area.

Even more important to the economic future of the province than this new technological advance have been the discoveries of lead, zinc, copper and silver ores chiefly in the northern and northeastern parts of the province. The mining and processing of these minerals, with the by-products that can be derived, without a doubt could be the major factor in determining the economic growth of the province in the next 30 years. We have prepared a table which indicates the known and indicated resources of the minerals which occur in the province.

The geographic location of the province has had, and will continue to have, an important bearing upon its economic growth. While situated on the Atlantic coast, New Brunswick is not the easternmost Canadian province, but may be considered as being the most easterly of the mainland provinces.

New Brunswick is therefore the connecting link between the Atlantic provinces and the rest of Canada and at the same time is becoming the centre of the Atlantic economic region. The importance of location as a factor influencing economic activity and growth is manifest in two main fields; markets and sources of raw materials. These markets may be classed as follows:

1. The local market within the province
2. The Atlantic region market
3. The Canadian market
4. Foreign markets -- (a) nearby, (b) distant

New Brunswick enjoys its greatest benefits

from its location by virtue of being the logical economic centre of the Atlantic coast economic region.

An increasing population within this area in the post-war years, accelerated by the inclusion of Newfoundland within the Canadian confederation, now gives this Atlantic region -- which includes perhaps the lower part of Quebec -- a population approaching two million persons.

Paralleling this growth in population has been a period of mounting transportation costs -- notably rail freight charges -- not only within the area but more significantly to and from the central and other regions of Canada.

These two expanding factors -- population and cost of transportation -- are rapidly completing the formation of a definite economic region on Canada's Atlantic coast which it seems will become more and more self-sufficient as time goes on and which will play a large part in the future trend of the economy of the area.

New Brunswick's location in relationship to the balance of the Atlantic region would seem to point to its becoming the economic centre for this expanding economy. An indication of the trend is the recent decisions of centrally owned and operated large manufacturing firms to establish warehousing and distribution facilities within the province to serve the whole Atlantic region.

The importance of this trend cannot be minimized in a long term appraisal of the economy.

It is not unreasonable to expect that, following the pattern of development elsewhere in Canada and the United States, from distribution some of these firms may well move on to assembly and ultimately manufacturing.

While the province is admirably located to serve the large New England market in the United States and for that matter the whole American Atlantic seaboard, trade with that country is largely confined to unprocessed materials or at best semi-processed. Most of this trade, and it is fairly substantial, is in lumber, pulp and fish.

The possibility of expanding into manufactured articles in that market appears to be out of the question because of prohibitive tariff levels imposed by the United States upon anything beyond semi-finished materials.

A greater diversification of industry into consumer and durable goods is badly handicapped through being far removed from available sources of supply. It might be further added that the cost of finished articles produced elsewhere is higher to the user in this area, due to transportation charges which are added to selling prices. This tends to lower the standard of living accordingly.

Electrical power in New Brunswick. New Brunswick has been somewhat late in taking its place with the rest of Canada in developing its electrical facilities. It is in the midst of a transition now; the production of power is being rapidly expanded.

At present the installed capacity in the

province is 242,000 kilowatts. Both fuel and hydro resources found within its borders are used.

Although hitherto the only industries in New Brunswick requiring much electrical energy have been those in the pulp and paper business, the rapid growth of the demand for all purposes, both industrial and domestic, has been comparable with the growth in other expanding sections of the country. In the last 15 years the over-all annual increase has been $7\frac{1}{2}$ per cent -- from 470 million kilowatt hours in 1940 to 1341 million kilowatt hours in 1955. Breaking down the last figure, one finds that with the present population of the province of 557,500 the over-all annual per capita demand, including that for heavy industry, is 2310 kilowatt hours and, excluding heavy industry, 790 kilowatt hours.

The transition occurring in New Brunswick promises to carry the province into an era of comparative abundance of cheap power. A programme has been inaugurated by the New Brunswick Electric Power Commission that will soon greatly increase the generating and transmission facilities.

Well under construction is the 102,000 kilowatt Beechwood hydroelectric plant on the Saint John river, which will produce 68,000 kilowatts in 1957 and full capacity probably the following year. Construction of high pressure steam electric plants using large turbine generators is projected for the near future.

In these new stations, hydro and steam,

the average generating cost could be in the neighbourhood of 6 mills per kilowatt hour, as compared with the average generating cost of 12.5 mills per kilowatt hour in the existing generating units of the commission, provided cheapest fuel available is used and there is some assurance of low cost money during the initial stages of development.

This downward trend in the cost of New Brunswick power is in contrast with the upward trend apparently confronting other provinces that are well endowed with water power, for there the future needs of hydro will require developing less economic sites.

The new economic outlook for New Brunswick has arisen therefore from these sources: the inexpensive hydro power being constructed and projected on the Saint John river; discovery of large deposits of base metals; the imminent change relative to other provinces in the cost of New Brunswick power. The more distant view is that the province will be in as good a position as others in the cost of future needs of energy when atomic power is depended on as a main source.

Forecasts of New Brunswick's requirements for the next few years show minimum and maximum requirements. In the preparation of these the following were the guiding principles.

In the minimum forecast it is assumed that general economic conditions suppress the development of our primary resources -- pulp and paper, metallurgical and chemical, under these conditions:

(1) The newsprint industry would be expanded by an additional 175 tons per day and that one additional dissolving pulp mill of 300 tons per day would be established.

(2) The mining of base metal ore would be carried out on the scale now outlined of approximately 6500 tons per day, but that the processing would be carried out only to the stage of concentration.

(3) No manganese ore would be processed in New Brunswick in the period.

(4) No chemical industry would be developed based on salt or oil shale deposits.

(5) The present domestic and small industry electrical requirement of the province would increase at the same average rate which they have for the past 30 years, that is, 10 per cent per year, until 1965, and then the annual increase would start to decrease in equal decrements until 1985, when an annual increase of 4 ^{cent} per/per year is reached.

In the maximum forecast, it is assumed that electrical energy will be available in the quantity necessary. Also, that the cost will be competitive with other parts of Canada and that conditions of tariff taxation, world market, transportation, labour force and general economic conditions will make it possible for an orderly development of our resources, and that:

(1) The utilization of forest products will be on a sustained yield basis and the present pulp and paper industry will be doubled in the next 30

years, maintaining the present ratio of newsprint production to dissolved pulp products.

(2) The known base metals will be mined as presently planned, that is, at the rate of 6500 tons per day, and complete processing will be carried out in the province, that is, milling, refining, complete utilization of sulphur in associated chemical industry.

(3) Electrothermal reduction of manganese ores will be carried out, requiring 75,000 kilowatts of power.

(4) A chemical industry will be developed, based on salt and oil shale deposits.

(5) Domestic and small industry growth will continue at the same rate for the next 30 years that it has in the last 30 years, requiring an increase of 10 per cent electrical production each year.

The energy to be used in New Brunswick in 1985 is shown above to be 5.5 billion kilowatt hours on the minimum forecast, and 11.9 billion kilowatt hours on the maximum forecast.

The total hydro capacity shown could develop about 2.5 billion kilowatt hours in an average water year, leaving 3.0 billion kilowatt hours to be developed in 1985 by other means, based on the minimum forecast, and 9.4 billion kilowatt hours on the maximum forecast.

Coal fields in New Brunswick. The proven resources of coal in the province amount to about 70 million tons, 0.75 million tons being mined annually at present for all uses.

If half the 70 million tons were available to produce electricity, how long would it last when serving what New Brunswick will need from sources other than hydro? Twenty-three years for the minimum forecast annual energy rate of 1985, and about $7\frac{1}{2}$ years for the maximum energy forecast.

There are other possible sources. Drilling has proved that 100 million tons of oil shale deposits lie in Albert county, New Brunswick. The average oil content of the shale amounts to 10.6 imperial gallons per ton.

Exploration for oil is being carried out at present in the province. The results are rather encouraging but so far give no evidence of the extent of this possible source of energy.

The tides in the Bay of Fundy might some time be found to be an economic means of developing electrical energy. The site at Passamaquoddy has received most publicity, but other sites further up the bay might possibly produce greater amounts of power. It is felt that the federal government should participate with the government of the United States in investigating the potential of Passamaquoddy, so that once and for all time it would be known whether or not tidal power was economical.

The next two or three years will largely determine whether New Brunswick is to become an exporter of its newly-found raw materials, or to become an industrialized region. The cost and abundance of electricity will be the deciding factor. Large

funds for investment are needed to complete the programme and give power at a cost low enough to ensure that the possible new industries do not settle beyond the borders of the province and the dominion.

To fully appraise the pattern of the industrial economy over the years to the present position and to estimate the future potential, a breakdown of the chief fields of industrial activity within the province has been made.

Agriculture. New Brunswick is not one of Canada's great agricultural areas. The availability of good arable land varies throughout the province and original land settlement, occasionally guided by other economic factors, resulted in the cultivation of some land not well suited to farming.

The net result has been that many of the farms are of small acreage of improved land and the amalgamation into larger and more efficient tracts has been relatively slow.

This system set a pattern that prevails even to today and we find many small farms which depend to a great degree upon the cut of lumber or pulpwood from the wooded areas. In 1951 the total improved farm acreage was 1,006,377 and these same farms had 2,044,103 acres in woodlots.

Generally speaking, mixed farming has prevailed over the years, catering to personal needs and the immediate local markets. Not for many years did any degree of specialized farming become a factor in farm operations with an outlook for export markets.

The farm population reached a peak in 1881 and there has been a downward trend since that time.

The trend toward more specialized farming started in the latter years of the 19th century and seems to have paralleled the opening of the great agricultural areas of the Canadian west. This trend has carried through to today's farming practice in the province. The sharpest increase was in the growing of potatoes, and this has become the province's most important cash crop. Favourable soil and climate conditions, particularly in the upper valley of the Saint John river, have contributed to the province having become one of Canada's major potato growing areas, particularly noted for its seed stock, much of which finds its way into the export market.

An almost continuous decrease in farm acreage for many years, although following the general trend of Canada as a whole, probably reflects also the large measure of unplanned farm settlement policy in the first instance.

Even with the decrease in the units of farm production -- farms, acreage and labour -- agricultural output has shown an increase. Greater mechanization of the farms and larger farm units have combined to bring this about. These factors are stepping up the unit production per acre, per animal and per hour of labour. The low value of the farm dollar, the high cost of farm labour and the higher standards of rural living have demanded that the efficiency of the farm unit be increased in keeping

with today's economy. The change-over in New Brunswick to this new type of farming has not been as rapid nor as complete as elsewhere.

Farm incomes in New Brunswick are low. As a matter of fact, in 1954 they were among the lowest in Canada, averaging \$1831 as compared with the \$4699 which the Ontario farmer received as cash income for the sale of his farm products.

What is the outlook for an improvement in the province's agricultural status? At the present time New Brunswick is just self-sufficient in dairy products, such as fluid milk and butter, and has an exportable surplus of potatoes and hay. In most other major food items, however, the province does not take care of its normal needs.

An increasing population is indicated for the province in the next 30 years and the agricultural trend is that more output from the land may be expected. It would seem, then, that circumstances favour an expansion of growing agricultural products for the local market and that this offers the best means for increased farm production.

To accomplish this, major changes in present food growing and marketing policy will have to be adopted. Merchandizing practices to compete with the products from elsewhere are required. Additional cold storage facilities and processing plants must be available to tie in with a planned production schedule, geared to the local market. The possibility of increasing the output of meat for the local market would seem

to be worth exploring.

The Canadian market perhaps divides itself into two sections -- the Atlantic provinces and central Canada. Of the two, the Atlantic region is the more logical outlet for surplus New Brunswick agricultural products because transportation costs, while a factor, are not as great as that to the central region.

The central Canadian market, particularly that centered in Montreal, might be developed more fully. Periodic shipments of poultry, dairy products and fruits are now being made. A large portion of the table potato crop finds its way there and even as far west as the Toronto market. A late growing season, particularly for small fruits, enables them to obtain a premium price in the central markets when local products are no longer available.

A growing trend toward the raising of seed grains and high grade breeding stock cattle in recent years has led to the opening of new markets for the province's agricultural output and might be further developed.

As noted, transportation costs are a major controlling factor in the contemplation of a further market expansion in Canada; however, increasing population in these areas with further industrialization may tend to enhance the position.

In export markets beyond Canada, New Brunswick is already established as a shipper of seed and table potatoes, and to a lesser degree of seed

grains and dairy cattle. Seed potato growing has developed greatly in the last two or three decades and markets in South America, Caribbean and Mediterranean countries are of growing importance. These present markets or areas would seem to present some opportunity for further expansion of agricultural exports.

Manufacturing or processing based upon agriculture is confined largely to the production of dairy products, meat packing, feeds and seed preparation. Large quantities of processed foods canned and frozen are brought into the province from elsewhere.

Along with such a development is an urgent need for additional cold storage capacity to extend the market season for many possible local farm products and to facilitate the handling of foods between the producer and the consumer.

Capital investment in farming in New Brunswick is the lowest of any province with the exception of Newfoundland, as related to the number of persons gainfully employed in the industry. In 1951 the provincial figure was \$5,900 as compared with \$12,500 in Ontario and \$15,500 in Alberta, the province having the highest figure in Canada.

It would appear, therefore, that increased capital investment, particularly in machinery and equipment, during the next 30 years could substantially increase the rate of production per man to levels approaching the levels elsewhere in the country.

Forest industries. The forest has long contributed to the establishment of wood and wood products as the largest single factor in the economy of New Brunswick. The most recent figures available show that of 1077 industrial establishments in the province 529 or just about an even half of these are based on the use of material originating from this natural resource. Many of these, of course, are small saw-mills.

In value of manufactured production, the output of forest industries accounted for 42.5 per cent of the province's total industrial output in 1953. It has maintained a similar position for many years, within a range of one-third to nearly one-half, and when the export of wood in the raw state or log is considered, the importance of the forest in the province's economy can readily be seen.

A changing technology, even more than an exploitation and wasting of the forest wealth, has brought about the change in product emphasis and in so doing has tended toward a greater utilization of the resource within the province.

In the second decade of this century the lumber industry built up to a state of development comparable, on a provincial basis, to that of earlier peaks. The economic readjustments following world war I, together with the effects of a severe spruce budworm epidemic, led, however, to a severe decline in the industry. The later effects of the great depression during the 1930's were a further blow to the

lumber industry and it has never regained its former status.

There followed a period of great readjustment which was paralleled by the development of the pulp and paper industry during the twenties and much of the wood which previously would have been made into lumber found its way to the pulp mills.

The pulp and paper industry has steadily increased its activity through the same period as indicated by a ten-fold increase in the cut of wood for this purpose.

Miscellaneous forest products such as pit props, railway ties and Christmas trees, although of some importance at some periods or within certain districts, have not bulked large in total production.

The provincial share of the national lumber production has declined from a high of 16 per cent in 1915 to less than 4 per cent at the present time. This is not wholly accounted for by reduced volume in the province but also reflects new areas of production, particularly British Columbia.

In the early 1920's the value of New Brunswick pulp and paper production was about 4 per cent of the total Canadian output. The addition of new mills in the latter part of that decade increased this percentage to around 9 per cent in the 1930's and from that level it has now declined to about 7 per cent, although mill capacity has been considerably stepped up. New installations elsewhere in Canada have been the offsetting factor.

A consideration of the net value of the entire group of forest industries shows that New Brunswick has usually produced about 5 to 7 per cent of the Canadian total.

In periods of increased economic activity the New Brunswick share of the Canadian total increases rapidly for a few years. However, if the high level of activity continues the provincial position declines. The same is true in the case of a decreasing general economy.

It would seem that the New Brunswick forest industry serves as a "quick adjuster" in times of shifting demand for forest production. This might possibly be attributable to the fact that the forests are relatively accessible and the manufacturing units based upon it are in many cases small in size.

The manufacture of furniture is limited by two factors, lack of a sufficient market readily served and sharply declining supplies of suitable hardwoods. Some specialized furniture making might be undertaken with a greater population than has been possible in the present manufacture of school furniture.

Lack of volume in the manufacture of wooden products has also contributed to the impracticability of the utilization of waste wood from manufacturing operations to reduce production costs.

It may be anticipated that the market for lumber and lumber products will increase with a greater population within the province and elsewhere,

although at a somewhat slower rate than that for competing materials. The local market seems likely to become more significant within the total and to take an increasing share of the quantities used.

Current production of lumber within New Brunswick is in the vicinity of 300,000,000 board feet per year, which is marketed roughly in equal proportions in three outlets -- the Canadian, the United States and the overseas markets. The Canadian and local market seems to offer the best opportunity to increase the consumption of New Brunswick lumber, limited to an important degree by the ratio of transportation costs.

Opinions differ as to the prospects for the development of a healthy lumber industry in New Brunswick. Supplies of sawlogs are a limited factor and the situation is complicated by the pattern of forest land ownership and occupation. Competition with pulp and paper companies for common supplies of raw materials will have a great bearing on the future. Hope seems to lie in combined operations with a utilization of all available trees to the best advantage.

It seems certain that markets for pulp and paper products will increase with population growths and improving standards of living. Neither the present nor the potential production in New Brunswick are significant in relation to the size or the predicted increase of these markets. On the other hand, the local market is not significant even

in relation to the size of present production.

An increase in production will therefore depend upon the profitable expansion of the export market. The province is well situated to compete in the markets of the world, particularly those on the shores of the north Atlantic. However, there are barriers of an artificial nature which limit this trade, particularly in the case of fine papers.

Information concerning forest resources indicates that sufficient supplies of wood can be produced on a sustained yield basis to allow yields to be doubled in the next 30 years.

Recent developments of semi-chemical and chemical groundwood processes have permitted the use of additional hardwood species in pulp manufacture. As a matter of fact, one New Brunswick mill is in this field. In the short run, however, it does not seem likely that New Brunswick mills will be able to compete in this field, at least in the United States.

Because of cheaper pulping costs, it is expected that New Brunswick softwood pulps may still maintain their export market position. There may be some loss in the United States market; however, demand elsewhere should offset this until the adjustment period, referred to above, has been completed. As a matter of fact, increased manufacture of conifers into pulp may be expected.

In summary, while the outlook for expansion of the forest industry is reasonably good, and

while a growing tendency toward forest management and conservation practices is indicated to allow a sustained yield considerably above today's production basis, there are a number of limiting factors which could have an acute and restraining effect on the rate of full development.

In the lumber and wood-using industries these are tied in with a possible lack of accessible supplies of sawlogs in the present or foreseeable future and inertia on the part of a large portion of the lumber industry to make desirable changes in harvesting methods and to adopt necessary technological advances to maintain a competitive position.

In the case of wood-using industries particularly, very limited supplies of hardwoods of veneer or sawlog quality hamper an increase of this type of industrial development. The United States, a logical market for such products, to all intents and purposes excludes imports by a high tariff structure.

The pulp and paper industry must adjust itself to compete with new sources of raw materials in the United States. Present tariff barriers to the American markets preclude the possibility of manufacturing fine papers for sale in that country.

THE CHAIRMAN: I think we should take a break now, to give your voice a rest.

--- Recess.

--- After recess.

THE CHAIRMAN: Well, ladies and gentlemen, I think we might come to order and ask Mr. Paterson to continue.

MR. PATERSON: I have dealt with the industries based on agriculture and on the forests. I shall now consider those based on minerals.

It was noted earlier that the New Brunswick coal field in the Minto area, about the centre of the province north of Grand Lake, was one of the earliest producers in North America. The coal is bituminous in nature with an average B.T.U. value of 11,500 per pound. Both shaft and strip mining are employed, with the latter becoming of greater importance in recent years and contributing substantially to the increased production of the mines since 1945.

The proven coal reserves of the province are estimated at 69.5 million tons. The field at best is a marginal producer and any substantial increase in production over present levels would, it is considered, entail substantial increases in operating costs.

Competition from other fuels is an important factor in the ~~the~~ future development of New Brunswick coal.

Several important industries in the province are based upon the supplies of non-metallic minerals. Perhaps the oldest of these is the manufacture of gypsum products in the Albert county area. Huge deposits of this mineral exist in several areas

of the southern part of the province. However, their further development would depend upon greatly expanded markets.

A portland cement plant recently went into operation in the southeast of the province, filling a long-felt need.

There are several large scale peat moss extraction operations in the Shippegan area of Cloucester county.

Good building stones exist in the province and several small operations producing granite and sandstone are carried on.

Other building materials in quantities usually sufficient to meet local needs -- stone, gravel and sand -- are found in many areas through the province.

Limestone for agricultural use is produced in several areas and one company produces burned lime from alkiln operation. Occurrences are both high calcium and dolomitic limestone.

The discovery of large deposits of lead, zinc, copper and silver in the Bathurst-Newcastle area of northern New Brunswick, which has occurred in the last few years, is one of the most important events in the economic life of the province since confederation. Preliminary surveys have indicated that mining costs will be low, and the deposits, being within easy reach of tidewater, are well situated from the standpoint of world markets.

In 1954 Keymet Mines Limited brought into operation a 250-ton per day concentrator and have begun

to ship concentrates to world markets. Anacon Lead Mines Limited is engaged in sinking a shaft to a depth of 1500 feet.

The Brunswick Mining and Smelting Corporation have at present a pilot mill in operation and have undertaken extensive experimental work to ascertain the best methods of processing their ore deposits. This corporation plans to have a concentrating plant with a maximum capacity of 5,000 tons a day in operation by 1958. The Heath Steel Mines are planning to have a concentrating plant with a capacity of 1500 tons of ore a day in operation by 1957.

In addition to the above developments, substantial occurrences of base metals have been proven in several other properties and exploration is under way. It has been estimated that mining companies will invest a minimum of \$30 million in the development of base metal deposits in New Brunswick over the next four years. It is anticipated that the labour force employed in 1959 will be a minimum of 1500 people.

The government and the people of New Brunswick are most anxious that the provincial economy should derive the maximum benefit from the development of their newly discovered base metal deposits. To this end they are anxious to ensure that the maximum amount of processing of the ores is done within the borders of the province.

In discussion, the mining companies have stated on many occasions that the only real problem

which is presented as regards the development of metallurgical industries in New Brunswick is the cost and availability of electric power. At the present time the province is doing everything it is able to to expand the generating capacity of the New Brunswick Electric Power Commission and to reduce power costs, to ensure that New Brunswick base metal deposits are processed within the province.

However, as has been indicated in the section of this brief dealing with electric power, this is a very large undertaking for a small and relatively poor province. Assistance in financing from the federal government to enable New Brunswick to rapidly expand its supply of electric power would be a factor of major importance to the development of a large metallurgical industry in this province.

At the moment there is little in the way of a chemical industry in the province, and its inclusion in the group of mineral base metals is prompted by the fact that most of the recent base metal discoveries occur in combination with sulphur. These sulphide ores prior to processing must be treated to free them from their sulphur content. There are very good opportunities, therefore, for the foundation of a chemical industry based upon this by-product, sulphur.

The technology for the production of sulphuric acid is well known. Should its production as a derivative of the base metals operations become a fact, there are some of the opinion that resulting

chemical industry could well rival the metallurgical operation as an important factor toward expanding the provincial economy.

Historically, fishing is one of New Brunswick's oldest industries. As late as 1865 exports of fish products did not amount to more than 7.5 per cent of the total exports of the province.

By the beginning of world war II the fishing industry in New Brunswick had almost reached a point of stagnation, with little recognition of modern methods of fishing, processing or marketing. Traditional markets existed for salt cod in the Caribbean and Mediterranean lands and world distribution of canned sardines had been accomplished, but little else.

As the second world war progressed, it brought with it a world shortage of protein foods, and with the opening of seemingly limitless markets for fish, new life came into the province's fishing industry. However, while production exceeded a value of \$13 million in 1945, much of the industry was still operating upon an obsolete basis and open to severe competition with the readjustment to a more normal economy.

The year 1946 marked the beginning of a new era in New Brunswick's fishing industry. Financial assistance in the form of loans was made available by the province to bona fide fishermen for the purpose of modernizing fishing methods. These loans were available for the purchase of new

boats or engines. At the same time new boat designs were tried out, from which came a fleet, now numbering about 70, of modern draggers, most of which operate in the gulf of St. Lawrence.

With increased catches and a concentration into fewer landing points for the fish, private enterprise has kept pace with the development and provided the shore facilities for processing the catch and marketing it in the most acceptable forms.

The value of capital equipment in the industry rose from \$4,526,695 in 1946 to \$9,731,000 in 1951. Subsequent years will add further to the investment in the province's fishing industry.

The result of this has been that since 1948 the total marketed value of New Brunswick fish products has been of the order of \$20 million or better.

Some 35 commercial species of fish are caught in the waters off the coast of the province, a greater variety than in any other province. These fish are processed in a number of ways for marketing -- fresh, frozen, smoked, salted and canned -- in the numerous plants located around the coasts.

The annual catch ranges from 200,000,000 to 250,000,000 pounds with an upward trend as greater use is made of modern fishing vessels.

The local market, while important, is not significant, and most of the fish output must find outlets elsewhere in Canada or in the export markets of the world.

While the national per capita consumption of fish is of the order of 13.5 pounds, the average maritimer will eat 35 pounds per year. Based upon this, the present population of the province can consume a bare 8 per cent of the total production.

Much work remains to be done toward increasing the Canadian consumption of seafoods. Merchandizing, marketing and the handling of fish to make it a sought after food are woefully lacking in the modern approach, and it would appear that a national policy to this end is indicated.

The largest market for the export of New Brunswick fish products is the United States, where domestic sources can only supply a portion of the demand.

Dried salted cod fish still find a ready market in Italy and the Caribbean countries and there is a reasonably good opportunity of increasing these markets again with a betterment in foreign exchange conditions.

It seems reasonable to assume, on known information, that the quantities of ground-fish which might be taken could be doubled and maintained at that level on the present fishing grounds. By going further afield this could be further enhanced. Much the same position may exist with regard to herring, although the periodic habits of the species make this somewhat less certain. Perhaps the ceiling has been reached with regard to other species, particularly shellfish -- lobsters, oysters and clams.

There are a great many small processors presently making up the production capacity of the industry. Expansion means additional processing facilities and an expanded marketing organization. A narrow margin of profit per unit of production makes it nearly impossible for the small operator to survive.

The solution would seem to be the centralization of fishing harbours and fish processing establishments.

The apparent limit to the catch has been noted as having been reached with regard to some species, notably shellfish. To protect, maintain and perhaps enhance the production of these types, conservation measures based upon scientific data must be enforced if we are to retain the lucrative yields from the catch. Conservation measures may be required to preserve other species and will require a constant watch to prevent depletion.

Transportation plays an important role in marketing fish products. With the advent of the trend toward fresh and frozen fish and the demand for rapid delivery to the market, the railways do not seem to be equal to the task and much of this shipping is done by truck, sometimes over long distances.

A limitation on the marketing of fish and fish products is the lack of any system of standards for grading quality. It is recommended that full implementation of a national grading standard be brought about at the earliest possible date.

A decrease in tariffs facing Canadian

exported fish products would be welcomed by our own fishing industry and by the American consumers, whilst no harm would be done to the American fishing industry.

With the introduction of new processing techniques, different types of fish products have made an appearance on the world-wide market. However, most of these new products, such as fish sticks, are in effect banned from the American market by prohibitive tariffs. Thus, our fishing industry suffers greatly from being unable to get into the remunerative business of selling finished products in the United States. We need this type of business in our province in order to increase employment and to develop a sound fish processing industry.

It seems quite obvious that such a wide range of scientific research cannot be undertaken by individuals nor by private firms. It is primarily the responsibility of governments, and principally the federal government, because it is of public interest throughout Canada. The fisheries research board of Canada is doing excellent work but more money should be made available to this organization for further research work in the different phases of the fishing industry.

Aside from the fishing industry the chief enterprise in the province based upon the sea is ship-building. The large shipyards and drydock in Saint John is a large employer of labour when operating at or near capacity and forms an important part of the economy of that area.

Its activities are very sensitive to changing economic conditions and with the present Canadian merchant marine situation its position is uncertain. A change in vessel type prompted by the St. Lawrence waterways development is perhaps its best outlook for the future.

A number of small shipyards exist at various points around the coast, usually close to the main fishing areas. They cater almost entirely to the boat requirements of the fishermen and their future seems assured with an anticipated expansion of that industry together with maintenance and replacement business.

A significant portion of New Brunswick industry is not based upon native natural resources. Typical of one class is the large sugar refinery situated in Saint John. Its location is due to water transportation enabling it to bring in its raw material by low cost transportation means.

The stove and heating equipment industry in Sackville and Moncton were, no doubt, originally influenced in their location because of the ready access to the iron and steel from Cape Breton and because of their central location with regard to the maritime market.

The manufacturing of brushes, valves and fittings, boots and shoes, confectionery, are the major examples of industries in the province based upon imported raw materials. It will be noted that the products of these firms have alike the fact that

they are relatively high-priced per unit with a low bulk weight content and transportation charges would not be a major factor in manufacturing costs. Similarly, they are based upon a relatively high cost raw material.

The textile industry was until recently of considerable importance in the province, with the larger plants manufacturing yarns and fabrics of cotton and synthetic fibres. Caught in the depressed condition of this industry in recent years, output has been considerably reduced. In 1954 one major producer, a branch of a large Canadian operation, fell victim to a consolidation policy of the owners and the concentration of their production facilities into central Canada eliminated the New Brunswick plant, although it is understood that it was not a deficit operation.

Industries of the types discussed under this heading would seem capable of further development within the province, directed at both the local market and as well for sales outside New Brunswick and the Atlantic area, perhaps with considerable concentration in the latter market.

Increasing populations, a relatively non-competitive and stable labour supply and less complex living conditions appear to be worth-while advantages for further exploration and exploitation by enterprising manufacturers.

With the growth of the Atlantic regional market and increasing freight costs, wider attention can be expected toward those industries which cater to

the demands of the local population and their daily needs, particularly the food processing industries.

The advantages of manufacturing close to the market area would indicate the desirability of importing raw materials for local processing. The trend toward a larger population and greater industrial activity based upon new natural resources should open this field of manufacturing to further expansion during the next 10 or 20 years.

The service and non-manufacturing industries contribute an important part to the business life of the province. These are well developed within the province with the exception of the power classification, which is the subject of a separate chapter of this brief.

A further classification of industry under this heading includes the pure service organizations such as laundries and dry-cleaners, and repair and maintenance operations of all kinds. As a group they employ the largest segment of the labour force and their incidence is directly related to the population, standard of living and intensity of industrial activity.

Expansion of these industries may be anticipated during the period under review and will follow directly the expected rise in the levels of the three factors noted above.

As has been demonstrated, the markets for New Brunswick production have varied greatly over the years and the trading pattern of the economy changed substantially from that of 90 years ago.

At that time there was little or no trade with the rest of Canada as it then existed. The chief output of the province was then, as now, the products of the forest and the central provinces were well provided with accessible supplies of their own. Transportation other than by water between the two regions did not exist.

The United Kingdom market had been well established for lumber, and in return much of the home deficiency of manufactured products was obtained from that country.

The province was at that time, perhaps to a higher degree than presently, self-sufficient in providing its own manufactured goods in small operations catering largely to its own market and in many cases more so to the community market.

The over-all result has been that production has taken the form of raw or semi-finished materials in a large degree. The United Kingdom remains as an important market for long lumber and pulp and paper, but little else. The United States market is somewhat broader than that of the United Kingdom in that in addition to these commodities it is the chief outlet for New Brunswick fish products and lesser quantities of agricultural and manufactured goods.

Limited amounts, although important to their industries, of agricultural and fish products find markets particularly in the Caribbean and Mediterranean areas and South America, and in diminishing quantities in other parts of the world.

A recent estimate prepared by the Dominion Bureau of Statistics indicates that of goods exported from the four Atlantic provinces to other countries, in ratio of value, 60 per cent are sold in the United States and about 25 per cent in the United Kingdom. The balance of about 15 per cent is marketed elsewhere. It can be assumed that the ratio would be similar for New Brunswick alone.

Trading in the rest of Canada, apart from raw and semi-finished materials -- which is very important -- is largely confined to the output of the sea, the farm and the forest. Some manufactured goods enjoy a good market, but by and large, sales from New Brunswick factories west of the Atlantic region are very limited. Two important factors contribute to this: transportation costs and competition with the mass production industries.

The local or, more comprehensively, the Atlantic region market, is served largely by New Brunswick producers of those commodities which may be said to make up the daily needs of the population. Of these, foods are the chief classification by some margin. However, in lesser extent numerous other commodities are represented.

Much of the increased manufactured production in the post-war years has been directed toward the local or Atlantic market. While new industries have come into being during this period and new fields of endeavour opened in manufacturing, much of the greater production has been through expansion

of existing industry or new ventures in familiar fields.

The population of the Atlantic region is currently increasing at the estimated rate of about 40,000 persons per year, a minor figure in the Canadian total, but nevertheless a welcome addition to the market of the area. It is not beyond reason to include the easternmost counties of the province of Quebec within the Atlantic trading area to give a total accessible market approaching two million people.

In 1951 retail sales in New Brunswick as given by the census figures amounted to \$285,814,200 and those for the Atlantic region now exceed one billion dollars.

It would appear that even under present conditions the local market is capable of expansion and the possibility of increased local production to meet this need is relatively sound. The province is undoubtedly entering a period of production expansion based upon new resources, particularly the important base metal finds, and a possible greater utilization of now familiar resources from the forest and the sea.

Full exploitation of the minerals to the finished product and a companion chemical industry will not only add to the population but tend to raise the standard of living. The establishment in the province by the Department of National Defence of Camp Gagetown, Canada's largest training centre, will add a continuing population of at least 15,000 persons, with influxes of trainees increasing this total. They will add increased and concentrated buying power,

to say nothing of the requirements of the camp itself.

New Brunswick seems destined to become the trading centre of the Atlantic region, which to a greater extent will place the market of the whole region within reach of the manufacturers and producers of the province.

Pulp and paper products, after adjusting to changed technology, notably the use of hardwood for pulp in the United States, should find greater demand in world markets with increased standards of living. Tariff policies will have a great influence here. A relaxing of duties on finished papers, particularly by the United States, could well revolutionize and multiply many-fold the value of production from this industry.

Additional export markets should be available to agricultural production, particularly potatoes, with increased attention to selling in world markets and a stabilization of currencies. Much the same situation prevails in the case of fish products. Higher standards of living in the so-called retarded countries may be expected to increase demands for this type of produce.

Currency and tariff positions will have a large bearing upon the export of manufactured products from New Brunswick. Location on the shipping lanes of the world and with certain manufacturing advantages -- likely to be enhanced -- the possibility of developing new lines of manufactured goods, perhaps based upon imported raw materials, may well open new

export markets.

New Brunswick's greatest logical export market, if not her greatest potential market, is the New England area of the United States and the Atlantic seaboard of that country with its huge population. The province is artificially banned from trading here by reason of the American tariff structure.

The Canadian market west of the Atlantic region remains somewhat of an enigma for New Brunswick. Disproportionate transportation costs preclude to a large extent the marketing of provincial products in the rest of the country.

Manufacturing of articles of relatively high value content with low weight bulk content would seem to be the course to offset the disadvantage, and existing manufacturing advantages could well establish a competitive position.

Reestablishment of the transportation balance effected following the Duncan royal commission on maritime claims could well be the greatest factor toward an increase in markets for New Brunswick.

Now I come to prospective requirements for social and industrial capital. If an estimate of the capital requirements of New Brunswick for the 30 years following 1950 had been made at that time it would have perhaps borne little resemblance to that which might be predicted today.

The present long term view prompts a more optimistic outlook for economic and social development for the ensuing 30-year period.

In the light of present knowledge and its application to the foreseeable future, an estimate has been prepared which sets at \$5,722,100,000 the total capital, social and industrial, which may be required. This is a maximum figure and presupposes the full development of known natural resources to the manufacturing stage. The social investment is estimated as that being required to raise to Canadian average standards the services for a population estimated to reach 911,000 at the end of the period.

A table has been prepared showing in some detail a breakdown of the items making up this total. The estimates have been prepared at five-year intervals over the 30-year period. In this estimate, where possible, a high degree of realism has been applied and the reasonableness of the estimates can be to a large extent substantiated. No attempt has been made, however, to allow for changes in dollar values from today's levels. The historic trend of this factor would indeed indicate a higher prospective dollar investment requirement.

A minimum estimate, had one been attempted, would presuppose a mining industry developed only to the extractive stage and the growth of the general economy maintaining the pace of previous years. Under this assumption the estimate of capital requirements might be reduced by 25 per cent over-all, though the degree of reduction would not, of course, be applicable uniformly across the board.

The estimated requirements for social

capital is \$1,761,100,000 for the 30-year period. Much of this portion of the forecast has been based upon the earlier estimated population trend. This base has been modified by current investment commitments in the earlier years and a programme, particularly in the fields of education and health, designed to raise the standard of service available in the province to a level approaching the Canadian average. This programme, now underway, might be expected to reach fulfilment in the next 10 years.

The proportion of public and private funds anticipated as being required is about equal, with the preponderant portion of private investment going into the field of housing. Public funds would be largely required for the public works type of investment -- roads, bridges and sanitary services -- to maintain adequate standards for the growing population. This might be expected to be divided over the three levels of government in somewhat the following ratio:

Municipal	19.8 per cent
Provincial	61.1 per cent
Federal	19.1 per cent

Industrial capital -- buildings, etc. -- is the field of greatest estimated future investment and would amount to \$2,271,000,000, of which some 45 per cent must come from private enterprise. The largest single item -- \$1,172.3 million -- is the anticipated requirement to provide the generation of electric energy and a distribution system to meet

the maximum development requirements mentioned above.

In the consideration of a minimum capital requirement, also on the basis mentioned above, the power needs for the 30-year period could be installed for \$620.2 million. These estimates assume that the cost of new plant would remain at today's levels, a remote possibility.

The distribution of public funds in this category, estimated at \$1,238.3 million or 54.5 per cent of the total, falls mainly on the province and almost entirely for electric power generation and distribution -- about 97 per cent of the total public investment.

Industrial capital -- machinery and equipment. This is a field where investment by private enterprise must supply the bulk of the estimate, perhaps 92 per cent or better of the forecast requirement of \$1,690 million.

Public money would be largely used for construction equipment and for public utilities, with the larger amount of the \$124 million estimated being a burden on municipalities with 52.4 per cent, the province with 40.4 per cent and the federal government 7.2 per cent.

The over-all estimate shows that of the total capital requirements, 61 per cent would normally be the investment of business and the private individual with the balance coming from public funds. The larger share of the latter, 31.2 per cent, from the province, with the municipal and federal governments being charged with 11.1 and 9 per cent respectively.

The record has been that Canadians, particularly in the post-war years, have financed the bulk of the capital growth during this expansion period. Foreign capital, while being invested in substantial amounts in Canada, does not, however, exceed perhaps 20 per cent of the total. The record in New Brunswick during this period would no doubt show an even greater ratio of Canadian participation.

While some American and British money has found its way into provincial enterprise, these would be the exception. The base metal discoveries have tended to change this established pattern, however, and much of the exploration capital has come from non-Canadian sources.

It could well be that with the full development of the mines and increased economic activity in the province, which the present outlook seems to indicate, the ratio of investment as between Canadian and non-Canadian origin would tend to fall in line with that prevailing in the country as a whole. It is reasonable to assume that American money would represent the larger part of foreign investment.

As to the division of Canadian investment between provincial sources and that from the rest of Canada, at best a guess only would be hazarded. Perhaps of the 80 per cent required from all Canadian sources, New Brunswick might furnish 40 per cent and a like amount might be invested by other Canadians, with the bulk of social requirements being met from within the province.

Heretofore the capital requirements of small industries have been a major problem in the economy. There has been little risk capital available for investment in local enterprise. This has tended to hold much of the production facilities to relatively small operations.

One of the results of this is that technological advances, modern equipment and methods have been slow in adoption and there are many marginal producers particularly in the wood-using and fish-processing fields. The same holds true in agriculture.

Perhaps a more rapidly expanding economy will tend to change this situation, first with a trend toward larger operations which will prove more attractive to the investor, and second, a revision in thinking toward investment of this nature may develop with increased economic activity within the province.

It may be that a review of the position of the industrial development bank with regard to the small entrepreneur and the extractive industries might be considered. Perhaps it could, with some flexibility in its operations, become the means of sparking economic expansion in areas of low industrial activity.

Transportation. The province of New Brunswick is served by the two major Canadian railways connecting it with central Canada and, as well, there are direct rail connections with the northeastern United States. In addition, a network of railways reaches into almost all the populated areas of the province and into Nova Scotia.

Inland waterways in New Brunswick are only used to a limited extent as a means for transportation. In Saint John the province has one of Canada's ice-free national seaports.

A network of modern highways has been constructed by the province, at great per capita expense, over the past number of years to afford a road transportation system adequate to today's needs.

Air transport is not a large factor within the province itself, as distances are relatively short. Connections with the other parts of Canada and the United States are becoming more and more important.

Rail transportation. Earlier it was shown that in the years following confederation in 1867 the whole trade pattern of New Brunswick was drastically altered. Transportation by a new means was necessary. Instead of many of the products of the province moving by water to their markets, New Brunswick entered an ~~era~~ of being largely dependent upon the railway for its trade.

That transportation was recognized as a major factor and handicap to the maintenance and further development of trade and industry in the maritimes is evidenced by the fact that provision was made as one of the terms of confederation to construct an ~~intercolonial~~ railway. It was to afford persons and industries in the area a market of several millions of peoples instead of the limited markets of the maritimes. The rate structure for many years reflected that policy.

From the time of its completion until 1912 the Intercolonial maintained a low level of rates, the interests of the maritime provinces were reasonably well protected and the intent of the original agreement fairly carried out.

Following 1912, however, in a general trend of rail freight increases in Canada, the picture changed, and by 1926 it was found that, whereas the general freight rate increase was estimated to be 55 per cent in the rest of Canada, rates on the Intercolonial had gone up 92 per cent. Thus was lost the advantage which the area had enjoyed to help place it in a competitive trading position following confederation.

The members of the Duncan commission in their report on maritime claims in dealing with this subject found that:

"The rate structure as it has been altered since 1912 has placed upon the trade and commerce of the maritime provinces (a) a burden which..... it was never intended that it should bear, and (b) a burden which is in fact responsible in very considerable measure for depressing abnormally in the maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood."

The commission went on to describe this as "a position which must be dealt with drastically

and promptly."

Following this, in 1927 the Maritime Freight Rates Act was passed incorporating almost all of the recommendations of the Duncan commission and providing as its chief feature that the freight rates of the Intercolonial should be reduced by 20 per cent and the difference paid by the dominion as a whole.

This had the effect of restoring to some degree the advantage which the maritimes had formerly enjoyed and placed the freight rate structure from the area upon a basis that reflected the original purpose and intent of the railway.

However, this condition was not long to prevail. Two factors since that time have tended to wipe out the advantages thus regained. The first of these was an entirely new influence in the transportation industry -- truck competition. Over the relatively short distances between the source of raw materials or the manufacturer and the markets, in Quebec and Ontario, shipment by truck at relatively low costs and with door to door service began to offer stiff competition to the railways.

To meet this situation the railways reduced their rates in the areas affected, thereby tending to eliminate the advantages to maritime shippers afforded by the Maritime Freight Rates Act. Because of the distances involved, similar competition from road transport was not available to New Brunswick shippers, at least to the same degree.

The second factor has been the series

of post-war freight rate increases authorized to the railways by the board of railway transport commissioners. These permitted an upward revision in rates of 98.2 per cent of the 1948 levels, almost doubling them.

No one could seriously challenge the justification for the need of increased revenues to the railways in a period of inflationary trends to meet rising operating costs. However, the method by which the railways were permitted to increase their rates and the manner in which the increases were applied ~~is~~ a matter of grave concern to the economy of the area.

It can readily be appreciated that so-called horizontal increases will affect the long distance shipper to a greater degree in dollars than the one who has only a short haul to his market. That difference in dollars may well be -- and has been -- sufficient either to eliminate or aggravate detrimentally the competitive position which had been established by New Brunswick manufacturers in the central Canadian markets.

The principle is serious enough in itself. However, it becomes more so when its application is analyzed further. It will be noted that the board has authorized increases up to 98.2 per cent. However, while most rates from the maritime area have enjoyed the full increase, this has not always been the case in the central provinces where the railways, faced with ever-increasing competition

from trucks, have not seen fit to apply the full amounts authorized, in order to maintain their competitive position in the transportation field.

Still further has the position worsened in that the competitive situation has even resulted in additional freight rate reductions being offered in the central provinces to meet truck competition to the point where rates may be at 1948 levels or lower in some instances.

While figures are not available to establish the ratio, it seems that we may be approaching the position that prevailed in 1926, when rates in the maritime area had been increased about 40 per cent more than those elsewhere. In effect this places the maritimes in the position of not only losing established markets but also subsidizing the freight charges of their competitors and in many cases paying more for their imported raw materials.

Water transportation. In early days water transportation as the chief means -- and no doubt at one time the sole means -- of transportation within the province itself. Today, coastal shipping has been materially curtailed.

Perhaps the greatest factor in eliminating the ship as an important carrier has been the modern roads and the large capacity truck.

A relatively small amount of petroleum products and lumber move around the coast and on the Saint John river between Fredericton and Saint John.

However, in one respect the rivers remain an important factor in the transportation picture. Large quantities of logs and pulpwood are conveyed down them to the points of processing, using these inland waterways as routes of commerce.

Considerably curtailed also has been the use of water carriers for the movement of New Brunswick cargoes to the markets of central Canada. This type of movement is now confined to some shipments of lumber and pulpwood in some quantity. Competitive rates offered for rail movement and changed buying habits in the markets have brought about the decreasing amount of lumber shipped by this means, although some believe that with the opening of the St. Lawrence waterways system a revival in this method of shipping may take place in some industries.

It might be said that New Brunswick does not produce enough of other exportable commodities to warrant vessels of any size calling at her ports for the package freight business.

The port of Saint John, with its large harbour installations, is under the operation of the National Harbours Board. It is, however, little more than a winter port operating when the St. Lawrence is frozen over. During the summer months traffic is reduced to a trickle.

The federal government has a large investment in the port facilities, which is only producing a fraction of the return of which it is capable. Large volumes of Canadian freight, both import and

export, are moving through United States ports throughout the year and particularly during the winter months.

This situation seems to be of sufficient importance to require that the national harbours policy in Canada might well be examined with the view of developing a greater utilization of Canadian port facilities by Canadian shippers.

It has been suggested that the provision of adequate cargo handling facilities to attract shippers might be a more forward-looking policy than the provision of such facilities only after a proven inadequacy is demonstrated.

As harbour operations have such a far-reaching effect in the economy of port cities, it appears reasonable to suggest that local opinion and advice should be worked into port development programmes. To this end it is recommended that local port advisory committees, representative of all fields of business connected with shipping in the community, be appointed. They should have sufficient status that their recommendations would be considered in the formulation of a National harbours policy.

The study of water transportation would be incomplete without some attention being given to the St. Lawrence waterway and the effects of this undertaking may have upon the economy of the province of New Brunswick.

This gigantic undertaking will have profound economic effects upon Canada as a whole and in particular the areas which it will directly serve.

As such, no Canadian can but look with pride upon the leading role which Canada has played in bringing its accomplishment about and upon the benefits which will accrue from the waterway, both the navigation and the power aspects. With these facts there is no argument.

With a water route now available to these markets, little or no use is made of this means of transportation. For the same reasons waterborne freight into this area has diminished considerably.

There are certain indirect effects from the development of the seaway which might have considerable adverse results upon the economic life of the province and which perhaps have not had sufficient attention.

One of the widely advanced results expected of the seaway is the anticipated reduction in transportation rates in the area which it will serve. It is reasonable to assume that the railways will endeavour to compete. History has shown that compensation for decreased revenues in the central provinces has usually meant offsetting increases in the maritime and other areas.

The waterway, presenting lower transportation costs and additional cheap power, will accelerate the concentration of industry in the central areas, thus throwing the Canadian economy into further imbalance.

Road transportation. Transportation by road in the province of New Brunswick as a part of the commercial pattern is relatively new. Up until

1930 interurban trucking was practically unknown. Several reasons contributed to the slow development of shipping by road. Railways reach most regions and rates within the area were not excessive; the population was limited and there was no large degree of manufacturing which would warrant the establishment of a trucking service; lumber, the basic material of our economy, was bulky and unsuited for truck transportation at that time. Distances to markets outside the province were too great with the vehicles then operating to offer competitive rates with the established forms of transportation.

It has only been in the post-war years that the use of trucks has increased to any great extent. With the general increase in industrial activity within the province and increased trade there is sufficient volume and sufficient interurban traffic within the area to bring about an increase in shipment by trucks.

The province embarked upon a programme of highway improvement following the second world war. This was brought about only by great capital expenditures, all the more remarkable in view of the relatively small population of New Brunswick.

That the use of trucks will increase for intraprovincial trade appears obvious.

It can be safely said that in many instances the railways have either priced themselves out of the market or have been unable to supply an adequate service to meet today's distribution and

merchandizing requirements.

This has been particularly true in the case of movement of fish. With the trend toward catering to the fresh and frozen fish markets by the New Brunswick fishing industry, an excellent service has been furnished by refrigerated trucks and a growing proportion of these products is now moving by road rather than by rail as in the past.

Air transportation. There is little doubt that advent of air transportation within the maritime area has done much to shorten lines of communication with the rest of Canada, and to a similar extent those within the Atlantic region itself. Transportation by surface means -- land and water -- because of land formations has tended to be time-consuming and schedules, because of small freight volumes, have frequently been set to meet economic requirements of the railway rather than convenience.

Air cargoes should tend to increase and services developed to deliver maritime produce -- particularly fish -- to broader markets. An extension of air handling of other perishables -- berries -- may also be expected.

It has been suggested that a more efficient service might be offered if the national air line terminated its eastward flights in New Brunswick at a "good weather" airport and a feeder system operated within the Atlantic region. This might permit more flexible schedules during periods of poor flying weather and reduce disrupted schedules and idle

equipment.

Federal government policy and the development of natural resources. The policy of the federal government affects in many ways, both directly and indirectly, the conservation and utilization of Canada's natural resources. The following aspects of federal government policy are of particular importance as regards the economy of the province of New Brunswick.

The development of the hydroelectric power potential of international river valley systems, like the Saint John in New Brunswick and the Columbia in British Columbia, presents problems of the greatest complexity. Under the International Waterways Act of 1955 a federal licence is required to erect storage dams which in any way interfere with the flow of water across the international boundary.

However, the full scale development of international rivers may well entail such costs as to be beyond the financial capacity of the province in which the river is located. For example, the complete development of the Canadian section of the Saint John river is definitely beyond the financial capacity of the province of New Brunswick. As a result, the government of New Brunswick is of the opinion that international rivers should be developed under the joint auspices of the provincial government concerned and the federal government. This would ensure that a province would not be forced to alienate a portion of its resources to the United States so as to obtain the necessary funds for hydroelectric power development.

The Canada Forestry Act was passed by the Canadian parliament and given royal assent on December 10, 1949. It includes the provision that the Minister (of Northern Affairs and National Resources) may, with the consent of the Governor in Council, enter into agreements with any province for the protection, development or utilization of forest resources, including protection from fire.

Despite the specific provisions of the act, the federal government has refused, to date, to co-operate with the provinces for the purposes of forest fire protection.

The number of forest fires reported each year in New Brunswick is increasing. As a consequence the provincial government has been forced to greatly increase its expenditures for forest fire protection. At the present time expenditures for this purpose are in excess of \$900,000 a year, or an average of nearly \$40 for each square mile of forest land in the province. This is a very substantial drain on the province's limited revenues. Additional amounts are expended by the municipalities, forest owners and licensees.

The need has increased and will continue to increase in the future. Federal-provincial co-operation for forest fire protection should not be considered as assistance to the province but as a justified expenditure by the federal government to protect its own sources of revenue and the public interest. The government of New Brunswick is of the

opinion that the provisions of the Canada Forestry Act as regards forest fire protection should be implemented at once.

Under existing income tax regulations, depletion charges, allowed as expense deductions when timber is cut, are based on the original cost of the timber. If the value of a timber limit has made a capital gain by appreciation, the only recourse to freedom from taxation of capital gain is the sale of the limit in toto. Should the owner elect to operate by the sale of stumpage, or of logs, the only depletion allowance is the original cost, and hence capital gains are taxed.

As a result, the timber owner frequently takes the lump sale approach in order to avoid the extra taxation. The result is obvious. The purchaser, usually interested in obtaining timber, not timber limits, will remove all merchantable wood in an attempt to reduce unit costs. This frequently leads to destruction of growing stock which should be maintained for an optimum realization of growth potential and, at best, will destroy any long term forest management plans.

Proposed principle for matching grants. The ability of a province to encourage resources development is now a major factor in promoting economic growth. However, the capacity of a province to make expenditures for economic development is directly influenced by the other drains on provincial revenues. This fact should be recognized by the federal government when it extends matching grants to the provinces.

It is therefore proposed that the federal government should adopt the following general principle in regard to making matching grants to the provinces. In the case of any province whose per capita personal income is less than the per capita income of Canada, the matching grants required for any fiscal year shall be increased by the percentage which the provincial per capita personal income is below the per capita personal income of Canada. This would assist the low income provinces to increase the expenditures which are required for resources development.

Research and survey work. The research and survey work in regard to natural resources which is carried out by the federal government is of the greatest assistance to the provinces. However, there can be no doubt but that an expansion of these services would make a most substantial contribution toward an increased rate of economic growth. For example, New Brunswick is rapidly developing a mining industry of great importance and prospectors have been most active in practically all areas of the province. The effectiveness of this prospecting would be very greatly increased if the Department of Mines and Technical Surveys would carry out an accelerated programme of geological mapping.

In addition, it is most important that the results of research work should be made available to producers as rapidly as possible.

Federal economic policy and the development of the economy of New Brunswick. The federal

government has had to be most active in promoting the economic growth and development of the Canadian economy. The construction of a transcontinental railway system, the opening up of western lands to settlement, and the adoption of a national policy of tariff protection were all acts of the federal government which were fundamental to the economic development of the Canadian nation. However, the net effect of these policies on the rate of growth of New Brunswick and the maritime provinces as a whole has been adverse. If the economy of New Brunswick is to expand at a satisfactory rate in the future, federal policies must be much more favourable to economic growth than they have been in the past.

The following aspects of federal government policy will have a most important influence on the economic development of New Brunswick in the period 1955-1985.

Fiscal and monetary policies. In the white paper of 1945 the federal government stated its policy of using monetary and fiscal techniques to promote a satisfactory level of employment. In the years since the end of world war II these techniques have been used and, by and large, have been successful in maintaining a satisfactory level of employment in the Canadian economy. However, there have been many occasions in the last ten years when the percentage of the New Brunswick labour force which has been unemployed has been greatly in excess of the unemployment rate for the country as a whole.

The level of unemployment in any one province should be prevented from reaching really

critical levels. Canada is a large and sparsely populated country and the Canadian labour force does not have the perfect mobility which is often assumed in economic theory. As a result, the monetary and fiscal techniques presently in use by the federal government should be supplemented by finer weapons which can be used to assist in maintaining a reasonably satisfactory level of employment within a province or a region.

To this end the federal government should be prepared to extend grants to the provincial governments and to the municipalities so that public investment may be expanded when unemployment rises to really serious levels.

Federal assistance to provinces for natural resources development. In recent years the federal government has granted increased assistance to the provinces for the development of natural resources. However, there is no comprehensive system of federal financial assistance to the provinces for the development of natural resources which takes into consideration both the differing needs of the provinces and also their differing financial capabilities.

Balanced economic growth can only be promoted through a general programme of federal assistance for essential resources development projects. For example, a previous section of this brief has shown conclusively that the availability of a large block of cheap electric power is absolutely fundamental to the future economic development

of New Brunswick. The provision of the necessary volume of power at a satisfactory price is beyond the financial capacity of the provincial government. If the federal government will extend assistance in financing the province for the construction of electric power generating facilities it will make a major contribution to the future growth of the provincial economy.

Tariffs. All economic historians who have studied the development of the Canadian economy have agreed with Dr. Mackintosh, in his study prepared for the Rowell-Sirois commission, that the Canadian tariff system has retarded the growth of the maritime provinces. In Nova Scotia the generally adverse effect of the tariff was offset, to some extent, by the stimulus that it gave to the growth of the coal and steel industry. In New Brunswick protection brought no comparable benefits. As a consequence, the development of the Canadian tariff system has had a more adverse effect on the economy of New Brunswick than it has had on the economy of the maritime provinces considered as a whole.

The impact of the tariff on the standard of living of the people of New Brunswick is particularly obvious when we compare the prices of durable consumer goods in the province with those prevailing in the adjacent New England states. The effect of the tariff is to force the people of the province to purchase these commodities from producers in Ontario and Quebec and to pay the expensive rail

transportation charges.

The tariff system of the United States has also been an extremely important factor in retarding economic growth in New Brunswick. As is well known, the United States tariff system is adjusted so as to let in free, or at relatively low rates of duty, raw and semi-processed materials, but to apply very high rates of duty, in many cases prohibitive rates, to the fully manufactured product. This has meant that it has been impossible for a fine paper industry to develop in New Brunswick.

In the last few years, the fishing industry of the Atlantic seaboard has received a remarkable stimulus from the rapid growth of the market for pre-cooked and breaded fish sticks. The high rates on pre-cooked fish make it impossible for the New Brunswick fish processing industry to manufacture the final product and to market it in the United States.

New Brunswick agriculture is also adversely affected by the Canada-United States tariff system. For example, at the present time the United States authorities apply a tariff of $37\frac{1}{2}$ cents per hundredweight to a quota of $2\frac{1}{2}$ million hundredweight of seed potatoes moving from Canada into the United States. However, United States potatoes moving into Canada enter duty free except for a period from June 15 to July 31 each year, when a duty of $37\frac{1}{2}$ cents per hundredweight is applied.

Thus it is clear that the net result of

the Canadian and American tariff systems has been to seriously retard economic growth in New Brunswick. If the federal government will pursue vigorously a policy of tariff reductions and do everything in its power to persuade the Americans to reduce their tariffs on fully manufactured goods, New Brunswick can look forward to a period of accelerated economic growth.

Summary, conclusions and recommendations.

The foregoing chapters have shown that for a period of almost 100 years the economy of New Brunswick has been characterized by a slow rate of growth in relation to that of Canada as a whole.

A complexity of factors has contributed to this. However, mention need only be made here of those which, because of the weight of their impact, have had the greatest direct bearing upon the trend toward the secondary position which the province has maintained in what must be regarded as an unbalanced structure in the national economy.

The province has experienced a relatively low rate of population increase over the years, due largely to a record of heavy emigration of native born, enticed by greater opportunity in central Canada or the United States. In the first half of the present century the population of the province increased by 55.5 per cent, whereas that for the whole of Canada increased by 160 per cent. During the same period the population of New Brunswick dropped from 6.2 per cent to 3.7 per cent of the national total.

The period under review saw the introduction of a number of technological changes which had an adverse effect upon the economy of the province, which had previously been a flourishing one. Notable among these was the change from wind and wood to steam and steel in shipping. The railways became an important factor in Canadian internal trade. This presented New Brunswick producers with a transportation problem which remains unsolved and becomes more complex as time goes on.

The province had no new resources available for development as was the case in the central and western provinces. New Brunswick's frontiers were limited and the economy became more and more dependent upon the forest, the best known and most accessible source of raw materials, with some development of agriculture and fishing. Many small and often inefficient enterprises have resulted.

Tariff structures, a shortage of development capital and a lack of low cost electric power were other factors contributing to the retarded growth of the provincial economy, with the resulting per capita income level being only about two-thirds that of the Canadian average.

Such was the position at the midpoint of the 20th century.

The second half of the century, however, appears to present entirely new opportunities for New Brunswick. A new sequence of circumstances would indicate that the province has before it many of the

essentials to strengthen its economy if the appropriate supporting factors become, or can be made, available to bring this about as expeditiously as possible.

Population growth has accelerated and one of the highest birth rates in the country would seem to indicate that this position may be maintained. With a general increase in the population of the Atlantic region, this whole area becomes important as a market entity. New Brunswick appears destined to become its economic centre.

New technological advances appear favourable to enhance the development of the province. The differential in electric power costs and supply, so adverse to development in the past, may well tend to diminish with further development of present resources on larger scales. The advent of energy from nuclear sources should tend to equalize power costs throughout the country.

Newly developed techniques in the pulp and paper industry involve the use of less electric energy and could well place that industry in New Brunswick in a preferred position due to the availability of raw materials.

Perhaps of greatest importance toward strengthening the economy is the discovery of new resources in the province which may well change the whole economy. Mention has already been made of the potential supplies of lower cost electric power. A better appraisal of the forest potential is presently under way and early indications are that

output can be stepped up considerably on a sustained yield basis.

The major factor contributing to the outlook for expansion is the recent discovery of large deposits of base metal ores within the province. These deposits have been sufficiently explored to give every promise of being very extensive. Further, they may be easily recovered and have the distinct advantage of being located near seaboard. Their recovery, reduction and the possibilities of metallurgical and chemical industries based upon them, if fully carried out within the province, could change the whole economy. That this be accomplished is very important.

Developed to the full, the foregoing factors could well promote an extensive growth through the utilization of available resources to a higher degree than has been maintained in the past. Further, an intensive growth may be achieved by a much greater incidence of processing than has formerly been undertaken.

In view of the long period of retarded economic growth which the province has experienced, alone it lacks the financial capacity and is hardly in a position to supply the necessary means to encourage this potential economic expansion to maturity as rapidly as would be desirable.

The capital requirements for the generation of the necessary electric energy are quite beyond the present means of the province. Tariffs, which have had a large influence in creating the past economic

status, are outside provincial jurisdiction. Federal assistance to retarded areas of Canada should be gauged to the capacity of an area to improve its position.

These, with the position of the small but sound entrepreneur, who requires capital resources, and the equal distribution of industry throughout Canada, or a national policy of decentralization, are subjects which are suggested for further study by the commission toward a plan for balance within the national economy.

The present state of transportation costs, a matter of grave concern in a country territorially as large as Canada -- with the prospect of further distortion with the advent of the St. Lawrence seaway -- may well demand a new approach to a national transportation policy, one that would reflect an equitable and enlightened reasoning for its basis.

It is submitted that these and other factors suggested within the brief offer substance for further study. Further, it is the considered opinion of the government of New Brunswick that the implementation of these suggested policies would tend to provide a balanced rate of economic growth within Canada, eliminate those soft spots within the economy so often lost in the over-all national picture by the central authority, and lead toward an orderly long term economic development which would assure a livelihood for all segments of the anticipated expanding population.

THE CHAIRMAN: Thank you, Mr. Paterson;

that was quite an effort on your part. I would suggest that we take two or three minutes at this stage to give you a bit of a rest. I think perhaps the commissioners might like to get together for a moment or two. We all have questions, and if we organize them a bit perhaps we can avoid a certain amount of duplication.

--- Recess.

--- After recess.

THE CHAIRMAN: Well, if we will come to order again, ladies and gentlemen, we have asked Dr. Stewart if he will be kind enough to ask the first questions. Shall we direct the questions to you, Mr. Premier, or to Mr. Paterson?

PREMIER FLEMMING: Direct them to Mr. Paterson, please.

MR. PATERSON: I may say we have a board of strategy here, and I shall probably refer the questions to some of them to answer more fully.

MR. STEWART: I do not wish to go into the statistics, or become involved in any argument or discussion over statistics, but it does seem from the statistics that have been presented that within the last year or two, the last few years, there do appear evidences of expansion and growth in the province. Could you summarize for us what you think are the elements contributing to this growth at this time?

MR. PATERSON: I think a lot of it has come from these metal finds. There has been considerable activity as a result of them, and there has been a great deal of construction, largely of a social

nature, as well as by the federal government in this large army camp which is just south of Fredericton, where the authorized expenditures to date are of the order of \$60 million or \$70 million. That has had quite an impact upon the economy.

The fishing market I think has been fairly good. The pulp and paper industry continues at a good pace.

Then we have had a great deal of employment of woods workers who might normally have been unemployed in some of the off seasons. They have done quite a good deal of clearing in the camp, where they have had six or seven thousand men working. The construction of the power project on the upper Saint John river has used a good deal of labour, and there has been other construction in Saint John harbour, as well as schools and hospitals. A good deal of the income to labour has been from construction.

MR. STEWART: There seem to have been a variety of factors.

MR. PATERSON: I think so.

PROFESSOR SMITH: The pulp and paper industry has been very prosperous, and there has been a good deal of investment in social capital. I think if you study the investment you will see that the investment in manufacturing industries has been disappointing, however; in other words we are not processing more of our resources in the province.

MR. STEWART: There are no new local

industries being developed?

MR. PATERSON: Relatively few.

MR. STEWART: On pages 21 and 23 you provide estimates of population expansion for the next 30 years, and also for the labour force. The population increase over the 30 years is in the order of 60 per cent, and the increase in the labour force is 50 per cent. Would you think these would be greater or less than the increases we might anticipate for Canada as a whole?

PROFESSOR SMITH: My guess is that it would be much less, because there is no provision for immigrants moving into New Brunswick.

MR. STEWART: You would not be too unhappy about those?

PROFESSOR SMITH: We would not; but in the past we have failed to maintain the natural increase. We consider there would be a considerable increase in 1965 if we were able to keep our natural increase. We would hope the population increase would be greater than these figures, but this seemed to us to be a reasonable estimate.

MR. STEWART: In the section dealing with agriculture I notice a very sharp reduction in the numbers employed in agriculture between 1941 and 1951. I suppose in part that was due to the fact that it was in a war period, and it continued throughout the decade?

MR. PATERSON: We have the deputy minister of agriculture, Mr. Taylor, who would perhaps comment on that.

MR. TAYLOR: I did not hear the question.

MR. STEWART: I am looking at the section on agriculture, starting on page 58. On page 60 you have the number of persons engaged in agriculture, and there has been a more or less steady decrease since 1881; but during the decade from 1941 to 1951 the decrease was more substantial than in previous decades. I suppose part of that period was during the war, but has the process been carried on during the whole of the decade from 1941 to 1951, and is it continuing at the same rate?

MR. TAYLOR: I would say it is not perhaps continuing at as rapid a rate currently as it was in 1941 to 1951.

MR. STEWART: Do you know where these people went?

MR. TAYLOR: They went into industry.

MR. STEWART: Locally?

MR. TAYLOR: Some of them left the province. Others went into other enterprises in the province.

MR. STEWART: I notice at the bottom of page 63 there is a reference to merchandizing practices which leaves a suggestion that there are some improvements to be made in the marketing of farm products. What sort of improvements could be made?

MR. TAYLOR: There are plenty of opportunities. We have no canning plants or freezing plants for the products of our farms. We have some livestock processing plants and plants associated with the

dairying industry, but we have no canning or freezing enterprises except on a relatively small scale for fruits and vegetables.

MR. STEWART: So the reference here really has to do with processing; it has not reference to the organization and the marketing of farm products; or would that be a factor?

MR. TAYLOR: They are both factors involved. Improvements are being made in the methods of merchandizing, packaging and processing.

MR. STEWART: Is there much organized marketing of farm products in the province.

MR. TAYLOR: Yes, we have a considerable organization for farm products within the province. A great many of our products are graded; not all of them, but a great many of them are graded for markets, and some of them are packaged in consumer package forms, and so on.

MR. STEWART: There are several references here to New Brunswick becoming the economic centre of the Atlantic province region. Just how do you visualize this? There is a reference to distributing firms setting up in this centre. Is it your thought that local industry and other industries will develop in this province and that it will be the centre for distribution of processed products to the other areas, and that they will be agricultural producers supplying this area with farm products and other raw materials? Is that what is meant by the province becoming an economic centre?

MR. PATERSON: Certainly the trend indicates that there may be a concentration within this province to serve the area from the point of view of manufactured goods particularly. The distribution of population puts that centre very close in our own province. Distances again are a factor. Newfoundland is within the area, but in some ways it does not change the geographical centre, or the population centre, in view of the fact that I believe a large part of its supplies do come from central Canada, transported by water. So the distribution centre is probably economically a little west of the population centre.

As to the other areas supplying the agricultural needs of this province, I think perhaps we may find a reciprocal development there. Nova Scotia can grow some things that perhaps we cannot, and vice versa; but I would not say there would be a tendency toward backsliding in the other provinces to a less highly developed industrial economy.

MR. STEWART: It is an interesting concept to think of this region as a more or less integrated unit; but is it not so that if you are to be supplying the other portions with processed products, you may have to buy something back from them, and that something would seem to be agricultural products?

MR. PATERSON: If the industrialization proceeds at any rate which would attract farm labour into the manufacturing centres in the province,

probably to that extent it would decrease our agricultural capacity.

MR. STEWART: You do not expect any rapid increase in your agricultural production?

MR. PATERSON: I do not think so. Mr. Taylor may answer that.

MR. TAYLOR: No rapid increase based on our present population.

MR. GUSHUE: I rather gathered that the conception was one of New Brunswick being an assembling and distribution centre for the area, not necessarily for goods produced within the area.

MR. PATERSON: Well, we have seen the cycle in Winnipeg. It ~~was~~ originally a distribution centre. Then it went on to assembling, and now it has gone on to the manufacturing phase. I believe the same thing has happened in a number of economic regions in the United States, and the indications are that the same thing might happen here, particularly if freight costs are going to increase generally with rising costs. They become almost a tariff, and make it economically possible to manufacture here as against the mass-produced article in the central area.

Actually there have been such cases, of firms having practically gone out of business and then having come back on their own again just through freight costs, which enabled them to get in behind the tariff.

MR. STEWART: I was wondering if that

was one of the factors in recent years.

MR. PATERSON: It has happened.

THE CHAIRMAN: I would like to ask a question on that point. I think it is on page 40 where you develop this concept that with an increasing population and rising costs of transportation, a definite economic region may be created in the Atlantic provinces.

You go on to refer to the establishment of certain warehousing and distribution facilities in the province.

It seemed to me that there was a bit of conflict in the propositions. On the one hand you suggest that New Brunswick will develop some distribution and assembling plants and later manufacturing establishments, because of the protection afforded by high freight rates. On the other hand you want lower freight rates in order that you may export the products of those establishments into eastern Canada. I am confused as to how you can accomplish both ends at the same time.

MR. PATERSON: With regard to the lower freight rates out of here, the point is this; that as we say, we do not argue with the fact that the railways need more money in order to operate, but our argument is as to the application of these charges. If there is an equitable basis of spreading them across the country, then we will pay our shot; but the rates are still increasing, and it does become possible to manufacture behind them as a tariff.

THE CHAIRMAN: Let us take the other point, that it is possible to assemble and later manufacture locally behind the protection of the higher freight rates. It is not a very sure form of protection, I presume, because it is still a fact that a manufacturer in central Canada, if you will, can sell his goods at any price he likes and absorb the freight. That is done in some cases, I expect.

I agree with you that there is a good chance that if the population does increase in the way you suggest, there will be distributing organizations set up; and I was going to ask you if you had a few examples of such organizations that have already been created in this part of the country?

MR. PATERSON: Oh, yes.

THE CHAIRMAN: I know of one in which I happen to be interested, but I wondered how many there were?

MR. PATERSON: There have been quite a number, as a matter of fact, particularly in one city.

THE CHAIRMAN: Where; in Moncton?

MR. PATERSON: Yes. General Motors, Chrysler, the farm equipment people such as Massey Harris and John Deere are all there; Imperial Tobacco, and some of the tire people. I would say there are 15 or more new, modern warehouses and distribution set-ups which have been established in that city in the last couple of years. That trend seems to be continuing. I gather that they are shipping in bulk and

then redistributing within the area.

THE CHAIRMAN: And the next step, as you say, might be an assembling operation, as happened in Winnipeg, and then the establishment of manufacturing?

MR. PATERSON: Yes.

MR. GRAUER: In connection with this question of freight rates, you could not of course visualize lower freight rates from the maritimes to the central provinces than you could out of the central provinces, so you are always going to have some additional cost. If you are going to be competitive in central Canada, with their considerably larger market in a smaller area, I presume that would have to be in specialized cases where the maritimes could overcome the low unit costs they have there, plus your higher freight rates in any case; which makes me wonder if you are too wise in pressing this question of freight rates. From what one sees here it certainly would appear to give you quite a preference in the local Atlantic provincial area.

MR. PATERSON: Well, we do not anticipate that General Motors are going to manufacture automobiles down here, that is true. I do not think we will see that type of thing; but there are a number of things we do buy in our daily living which are being brought in from outside.

For instance, there are the canned goods which Mr. Taylor mentioned. I believe that is becoming a problem for the canning industries, to distribute at a uniform price across the country,

which they have tried to maintain. They are now looking at the area with the idea of doing manufacturing here.

MR. GRAUER: That is a development that has taken place in British Columbia, too. In fact, somewhat to my surprise, I noticed that they were sending canned goods east from British Columbia. Once something gets established in that way it always seems that special cases arise which cause some movement, despite freight rates.

MR. PATERSON: The freight rate pattern is peculiar in some ways. In some cases we can ship to the west and compete there, but in other cases we cannot ship into those areas.

PREMIER FLEMMING: From our point of view I do not think too much emphasis can be put on the need we feel for the maintenance of the differential. For instance, since 1948 rates have been increased by about 98 per cent; I think that is the figure. That percentage of increase has just about doubled the differential; it has doubled our handicap in getting into the markets of central Canada. If we could have had those rates applied on a uniform basis across the board, so much per 100 pounds, on that basis we would have no quarrel, because we would feel that the railways actually did have to have more revenue. Our point would be that it would maintain the differential as it now stands.

However, when you get a percentage increase across the board of nearly 100 per cent, your differential is doubled. In other words our handicap

in getting to the common market is doubled. I think that particular feature is of tremendous importance to us.

MR. GRAUER: In other words you do not want to get into a worse position?

PREMIER FLEMMING: Well, every time there is a percentage increase the differential is increased by that percentage.

THE CHAIRMAN: I had a question on agriculture about which I was curious. There was a reference to potatoes, and we heard something about potatoes a couple of days ago.

I gather that one of your difficulties, or one of the difficulties of the potato growers, is that not only are they shut out of the United States market, but on the other hand they have to compete in the central Canadian market with United States potatoes which come in duty free.

Which of those two markets would be best for you, on the theoretical supposition that those existing difficulties were removed? Would you be able to compete in the United States market against United States potatoes if there were not this prohibitive tariff?

MR. TAYLOR: If there were no tariff we would compete in their own market.

THE CHAIRMAN: On a large scale? Would it be as important to you as the central Canadian market?

MR. TAYLOR: Well, I think so.

MR. GRAUER: I wanted to know to what extent agricultural activity here was associated with activity in other lines, such as logging and fishing. Is that much of a development in New Brunswick?

MR. TAYLOR: In the eastern part of the province agriculture is quite closely associated with the fishing industry, and in other sections with the lumber industry. That has been the history of the industry since the origin of the country, and I think as the years have gone on it has become less and less so.

MR. GRAUER: It is not a development which you would expect to maintain a certain stability in the future?

MR. TAYLOR: The majority of our farm holdings are relatively small. Therefore there are limitations to the cutting a man can do on his own farm.

MR. GUSHUE: On page 62 you give the figures of the comparative average incomes. Do they include, in the case of New Brunswick, the earnings from the woodlots, or just purely from the agricultural products?

MR. TAYLOR: I think those are pretty largely farm incomes, rather than income from woodlots. Those are taken from the Bureau of Statistics figures, and I think it refers to agricultural products rather than income from woodlots.

THE CHAIRMAN: Mr. Lussier has quite a number of questions he would like to ask about the

forest industry here, and rather than ask a few of them now and start again after lunch, we thought we might perhaps adjourn now until 2:30 and then begin on that section of your brief.

--- At 12:45 p.m. the commission adjourned.

--- At 2:30 p.m. the commission resumed.

THE CHAIRMAN: Well, ladies and gentlemen, shall we come to order." It has been suggested that if Dr. Bates were willing he might appear at this stage and give us the benefit of his views about developments in the forest industry of the province, before we ask questions of Mr. Paterson. The chances are that Dr. Bates may answer some of our questions in the course of his remarks.

DR. BATES: Mr. Chairman, Mr. Premier, ladies and gentlemen, this is going to be very informal, because I only heard from the premier in time to get a reservation in time to come to Fredericton, but with your permission I would like to spend five minutes on some general thoughts bearing on your undertaking, because I feel so strongly that your commission can do and is doing a most valuable work for Canada.

In my travels I have found that not many people realize that a subnormal standard of living in terms of dollars -- not in terms of happiness or peace of mind, but in terms of dollar income -- exists in Quebec and the Atlantic provinces. As you know from the figures of the Dominion Bureau of Statistics, the personal income in Quebec, for example, is about 85 per cent of the income of the average Canadian, whereas in New Brunswick it is about 65 per cent, in Nova Scotia a little over 70 per cent and in Newfoundland 50

per cent, while in Prince Edward Island it is 52 per cent, or about that.

This, I think, is important to mention, because not everything depends upon geography and markets and what not. A great deal depends on the way of life. In other words, presumably the 15 per cent lower average personal income in the province of Quebec is a reflection of the peasant way of life of such a large proportion of the population of that province.

We who are familiar with Ontario and Quebec know also that the choice of industries and industrial activities has a tremendous effect. Ontario, for example, is highest at 118 per cent of the Canadian average, very largely because all the way along they have chosen the industries that are of the highest grade -- the automobile industry, the electrical industry, and so on. Quebec, while equally large, has happened to choose not low grade industries but lower grade, based upon cheap hydro-electricity -- aluminum refining, pulp and paper and so on, which are not as productive in unit income; and I think that is a factor which your commission will be studying across the country.

As to government assistance, in my opinion far too many people think of how much more governments can give or can be persuaded to pass out. I have the opposite point of view, so I will not say anything except that in recent Canadian history one might say that Ontario and Quebec tell Ottawa what to

do, and the prairie provinces often go ahead and politely tell Ottawa what they have done. British Columbia, by comparison, is inclined to go ahead and do what they want and not even tell Ottawa, while the maritimes, being older in traditions, politely ask Ottawa and take no for an answer.

Now, out of it all, it seems to me very important to start to do something by way of a move to decentralize industry in this country. I like to look at it in this way. If those of us in this room owned the whole of Canada and were responsible for the welfare and protection of 15 million people, with the prospect of that number increasing to 30 million before so very long, I cannot imagine that we would condone the degree of centralization that has happened for perfectly understandable reasons. We would do something about it, as trustees. There may be another point of view, but that is my diagnosis, and I think this may be worth mentioning as emphasizing the desirability of decentralization.

To accomplish that will be more difficult than to say it, but you might consider asking Ottawa to pass a law providing that in future and until further notice the Minister of Trade and Commerce must be a maritimer. The influence of political ministers would appear to be so tremendous that this is the only way I can think of to accomplish that end. I believe that maritimers -- and when I use that term I include those from Newfoundland -- not only in the east but across Canada more and more should be asked to help the maritimes; and I know they will. You know quite

well that most of the outstanding bankers and heads of industry in other parts of Canada are maritimers, and I think of the great wealth of energy and ability which is available and can be applied to the maritime effort by those people.

To be a little more specific, I should think something like some form of revolving risk capital fund would be desirable for the maritimes. Again I have no thought of anybody asking the government to establish such a fund. With the new spirit of confidence in the maritimes, it is my thought that experienced maritimers will help the maritimes again in this way and establish the practicability of a revolving risk capital fund, and go ahead and do some of the things we have just dreamed about, and do them more effectively and more practically than by asking the government or by making recommendations.

I am almost through with this rambling, but here is a specific thought. Insurance companies have enormous staffs for what I call mere bookkeeping; I am not talking about going out and getting insurance business. Why should not the maritimes be ideal for those staffs? Of all the places where mere book-keeping should^{not}/be done, it is in the big metropolitan centres of Canada; yet every day in Montreal you see thousands of people entering the glamorous sweat-shop of bookkeeping, which is what I call the Sun Life building, and you see the same thing in Toronto. In Ontario there are several examples of the decentralization of insurance offices; and for that kind

of function I cannot imagine anything nicer and more sensible than right here in Fredericton, as an example. That sort of thing would benefit the whole country.

Now coming to the particular commission of which I have the honour to be the head, the New Brunswick Forest Development Commission, this is a most interesting and encouraging activity, just as I am sure you are finding and will find your own commission, on a much broader scale, a country-wide scale, constructive, interesting and encouraging. We are perhaps doing the same thing you are doing, tackling this job as a mutual effort, with the commission merely going from one to the other, circulating among those concerned in the province. We, like you, hope at the end of our work in a year or so to be able to cite a list of accomplishments rather than merely report recommendations, and there is a big difference.

As we all know, the forest industry plays a large part in the New Brunswick economy. That is because New Brunswick has such a large proportion of forest land. We are over 80 per cent forested in New Brunswick, and the industry has gone a long way. With less than 1 per cent of the land area of Canada and less than 4 per cent of the population, we have about 7 per cent of the wood cut. That is almost double our normal ratio, so we cannot complain that we were held down in connection with wood products. Only British Columbia has a higher ratio in the forest industry, in per capita value. I am not sure just what the figure is for Newfoundland,

but there are only two or three provinces, of which New Brunswick is one, which are above average in the forest industry in per capita value.

When we look at the forest there is so much to say it is hard to summarize it in a few words. You will also realize that in our work our commission in New Brunswick is in its middle stage, just as you are across Canada, and has not much to say about recommendations or conclusions.

When we come to markets -- and I think this is important to emphasize in any province -- in New Brunswick in particular lumber is one of the biggest items among forest products; and for Canada as a whole about half the lumber is used domestically and half is exported. Newsprint, as you know, is a huge item, bigger than all the other items combined, and it is very largely exported.

We have anything but a balanced forest economy in Canada, mainly for that reason. The other item that is free for export is pulp in its different grades. Finished products for export in the paper-board industry are limited by tariffs to only 200,000 pounds a year. That particular export is so low as to be not much more than negligible. Domestic paper and board is a very big outlet in Canada, and I think it is going to increase quickly percentage-wise -- more quickly than either pulp or newsprint.

When we come to the forest pattern in New Brunswick, what can we say? I think we can look forward to a doubling of New Brunswick's forest

products, that is in value, with only 60 per cent greater consumption of wood from our forests.

That sounds very strange; but fuel wood, which is a very big item in any province in Canada, as a whole, will not increase but will probably decrease. Lumber products are not as valuable in unit value as pulp and paper products. Therefore when you work it out I think it is safe to say that knowing the New Brunswick picture, where we have \$150 million worth of forest products today, we can look forward to having \$300 million worth in the not too far distant future, at today's values, with only 60 per cent more initial wood, by better wood utilization.

In New Brunswick we have seven pulp and paper mills. The biggest factor in our forest industries, of course, is pulp and paper; and we have in New Brunswick seven units that are very well managed and very well diversified, which is very fortunate.

My own view is that that number should be increased to ten. In other words we should have three or four more; and from then on, instead of multiplying the units it should be a matter of strengthening those well spaced and well diversified units at each manufacturing centre, to integrate upward rather than multiply horizontally.

It is quite different in lumber. I would say the lumber industry relatively is a problem, not only here but in many other parts of the country. It has tended over the years to split into smaller and

and smaller units. There have been reasons for that: but here in New Brunswick, for example, where there is only about 5 per cent of the lumber industry of Canada, there are three or four hundred units manufacturing lumber, whereas the pulp and paper enterprise, as I have intimated, has seven units and more than 5 per cent of Canada's pulp and paper industry.

The lumber units are so small that there is no chance, in this day and generation, that they can be efficient. In other words, to my mind it is necessary in New Brunswick and other provinces to fit the lumber industry together into larger and more diversified centres and to integrate it more and more with the pulp and paper industry, as the modern and only possible method of keeping the manufacturing of lumber and related products sufficiently efficient to compete; because we well know that lumber substitutes have gone ahead at a great rate in fairly recent decades, partly because the lumber industry has not become stabilized in the same way the pulp and paper industry has, by more efficient handling.

A feature of the forest industry in New Brunswick, as in Nova Scotia and Newfoundland, is that we are relatively high in primary forest industries, which I have named -- lumbering, pulp and paper in particular -- and relatively weak in secondary forest industries. I do not have all the figures at my finger tips, but the manufacture of products from lumber and products from pulp is relatively low in the maritimes. There are excuses

and reasons, some of them geographical, but that is an important feature to remember in studying the forests and forest activities of the maritimes. It is very difficult to develop these secondary industries systematically and at a rapid rate, but I think it is very important to remember that so many of them are very small operations.

The question of power is very interesting in relation to the forest industries. As you probably know, newsprint production in Canada in round figures is six million tons a year, which is an enormous production. Exports of pulp for all Canada amount to two million tons a year, in round figures, while the manufacture of domestic paper and board for consumption in Canada accounts for another two million tons, making a grand total of ten million tons, of which newsprint accounts for six million. Therefore it overshadows everything else. I am not including lumber, just pulp and paper products.

I believe we are too much inclined in Canada to think about pulp and paper as requiring and consuming enormous quantities of power. So it does in connection with newsprint, but not so in the other pulp and paper products, the production of which is increasing in Canada, mainly, as I indicated a while ago, for the Canadian market. The number of domestic paper and board manufacturers, and production and consumption in Canada undoubtedly will double in the next 15 or 20 years;

in other words it will go up from two million tons to four million tons.

Those are very good figures, and they are very important. The matter of power in relation to the forest industry is extremely important with respect to newsprint, but not so important in relation to other papers and boards. In New Brunswick, as I have said, we have a very well diversified pulp and paper industry, with seven units; but lumber, with three or four hundred units, needs more co-ordination. In an area like this, where power is not too abundant, and not too cheap, quite rightly in the past and for the future more and more attention should be focussed on pulp and paper products other than newsprint.

In connection with these products other than newsprint, such as pulp, board and what not, which we have in New Brunswick, the steam requirement is so large that in principle enough power -- and in several cases in New Brunswick today more power -- is available in connection with the generation of steam at high pressure than is needed in the pulp and paper mill. That is not so in connection with the manufacture of newsprint, of course, but it is the case in the other branches of the industry. There are several large units in New Brunswick that have or could have surplus power, because they need so much steam in their manufacturing process.

That is not the case in British Columbia, where similar pulp and paper mills in fact do not use that opportunity to generate power, because there is

still available cheap hydroelectric energy; but in New Brunswick we are more and more, I am glad to say, co-ordinating steam use with power use. I think you are going to see quite a change in the next ten years in New Brunswick, to the advantage of everybody. Through a system of linking steam-using industries with power-using industries, both will gain.

Now a word on taxation. We have found in our commission work in New Brunswick that we must confine our attention tax-wise to provincial taxation. Municipal taxation is of relatively no importance, or of very little importance, in relation to the forest industry. Provincial taxation, of course, is of vital concern, because our province controls all the crown land. By the way, there is another great difference between New Brunswick and the other provinces of Canada. In New Brunswick we have a peculiar, and I think very desirable, balance of 50 per cent crown land and 50 per cent privately-owned land. Of the latter 50 per cent, half is controlled by the larger holders and therefore only one-quarter of the total is controlled by small woodlot owners. In all the larger provinces of Canada, 90 per cent or more of the forest land is crown land, and it is only in Nova Scotia that the proportion of crown land is less than the proportion privately owned.

In connection with taxation, therefore, we have more to think about in a province like New Brunswick than in the larger provinces, municipal

taxes being of minor importance and provincial taxes being very important. The point I am trying to make is that the federal taxation is beyond the control of any one province, though it is enormous compared with any provincial taxation, in relation to the forest industry. Indeed, the forest is the only natural resource which governments have discovered they can safely tax heavily. When it comes to agricultural resources, all governments give back to the agriculturists more than they dare tax them. There are too many votes attached to the farmers, whether that is a reason or an excuse. Fishermen are greatly helped by government subsidies and so on. There is glamour to mining, even though it is the only exhaustible resource today. Mining has such a glamour that mining companies receive taxation benefits. But the forest industry, provincially and federally, is the only resource that is fair game for taxation.

Perhaps I can summarize what I mean. When you take the forest industry of Canada as a whole, while I cannot give the exact figure, over \$150 million goes to Ottawa, directly and indirectly, that is, from the forest industry and those of us who work in it, in total taxation; and Ottawa puts back into the forest industry less than \$5 million. It is an enormous differential. I appreciate that they have to get their money from somewhere, but when you compare that with the other natural resources of the country, you find that it is the

reverse in connection with agriculture and fisheries. I do not remember the proportion, but it is not big. So the one and only natural resource on a big scale that is really taxed heavily is the forest resource. The provinces are not nearly as bad.

THE CHAIRMAN: How do you account for the fact that the forest industry seems to be the most prosperous of all industries in Canada today, despite the heavy taxes?

DR. BATES: That is because of the efficient operators. If you bonused the forest industry I imagine a good many of the efficient operators would go and hunt for something more exciting. That is not a fair answer, Mr. Chairman --

THE CHAIRMAN: It is an interesting one.

DR. BATES: -- but it was not a fair question.

I think that is about all I have to say, Mr. Chairman. I could say something about our particular commission in New Brunswick, but I think it would be premature; I am sure you would want to ask us why, what and how we were doing it.

I would like to make this point, however; that I have never personally undertaken a more enjoyable and interesting function than chairman of the New Brunswick Forest Development Commission. The province is not too large; it is a very fine forest province; there are not too many people to talk to; they are all fine people, and we are doing the job ourselves for this reason. Long ago New

Brunswick became one of the few provinces in Canada which was fully occupied in both private forest land and in crown forest land. Therefore there was no need and no justification for talking to outsiders. So we are having a grand time talking among ourselves, and it is just wonderful.

I find it most interesting, and I also find this, that for the first time the different elements of the forest industry in this province are getting together to talk together about it, and they too are finding it interesting. We are hoping in our family group to quietly solve our family problems.

I could make further comments, but I do not believe this is the time or place for them. I would just like to leave the thought that we are not discouraged. We are optimistic. We are doing it ourselves. We are not looking for outside help. Indeed, as in some ways New Brunswick is further along in the course of evolution than some of the bigger provinces, we are hoping to figure things out for ourselves so the other provinces will benefit from it when their turn comes.

THE CHAIRMAN: Thank you very much, Dr. Bates.

MR. LUSSIER: Mr. Paterson, Dr. Bates has answered part of the question I was going to ask, but I have some others on which I would like to have some explanation. It may be that you will not understand me very well, and if you do not, ask me to

repeat; don't be too courteous.

I notice that 25 per cent of the forest area of New Brunswick is in woodlots, and I gather from Dr. Bates that about 50 per cent is in crown land. That means there is 25 per cent in large private holdings. Is that about the proportion?

DR. BATES: Yes.

MR. LUSSIER: Do you think this is a proper balance of ownership that should exist in a small province such as this?

MR. PATERSON: Might I ask Dr. Bates to reply to that.

DR. BATES: I do not think any of us is wise enough to answer that question and even think we are right for sure. That is a long story of pros and cons. I do not believe we can resolve that.

I will tell you what I think and what I have found. I have spent several months in this work, and I have found more and more that I am quite pleased it is ~~that~~ way rather than the reverse. It becomes more and more difficult when there is a greater proportion in private hands, as is the case in Nova Scotia, where about 75 per cent of the forest land is under private ownership. It is much more difficult to do anything about it. Individuals are harder to bring together than different governments or departments.

On the other hand there is no preponderance in this province of provincial government

influence. It is 50 per cent influence. As you well know, in Quebec, Ontario and British Columbia it is over 90 per cent crown lands. In the southern states it is the opposite; it is 80 per cent private land, and they have a very thriving and excellent forest industry in the southern states. In Sweden and Finland it is less crown land than in New Brunswick. Those are the older economies. Those countries, by the way, over the years have found ways to make it work well no matter what has been the proportion of ownership, and to me that is the proper answer to your question. It is not so much a pattern of ownership but the use of commonsense to make any pattern of ownership work satisfactorily.

Personally I am happy about the pattern of ownership in New Brunswick, and I would not recommend changing it.

MR. LUSSIER: You said the lumber industry has tended to split into smaller units in the last 25 years, and you think it should be possible to bring the lumber industry into more concentrated form, in larger and more efficient units, and to integrate this industry with the pulp and paper industry. Do you understand what I mean?

DR. BATES: I hope you are advocating that.

MR. LUSSIER: No, I am not advocating anything at all. I am just asking the question.

DR. BATES: You see, in New Brunswick 25 per cent of all of the wood cut is for lumber, and 40 per cent of all the wood cut is for pulp and

paper. That 25 per cent of the wood cut for lumber is split between nearly 400 operating units, while the 40 per cent for pulp and paper is confined to seven manufacturing units, at the moment.

Well, reverse it. I look at it this way. Supposing we advocated for New Brunswick, with a limited forest, instead of the seven pulp and paper mills we have at present, even 100, which is 300 less than the number of sawmills right now. If we did that we would all run. I would take out my money and run.

That teaches us something, I think. The lumber industry, split into such small units, is asking for assistance and will keep on asking for assistance as long as it is in small units and makes only rough sawn lumber.

That is a point I meant to bring out. I think it is very important. In these small sawmills you cannot do anything but make 45 to 50 per cent rough sawn lumber out of the small logs we have in this province, and that means, taking away 15 per cent in sawdust, that 35 per cent of the wood, the raw material in the sawlog, is thrown away.

Well, industry has grown up in this day and generation. We cannot condone, we cannot even imagine an industry surviving, throwing away 35 per cent of perfectly good raw material. That is one thing we are determined to accomplish in this province, but I do not want to take up your time by explaining just how we hope to do that.

In other words the 400 sawmills are hopelessly uneconomic if they are left on that basis. No one would advocate bringing that number down to ten. I said that instead of the present seven pulp and paper mills there should be ten in the province, but no one would say that there should be only ten sawmills. But I would say most definitely that there should not be 400. It is hopeless. Somewhere in between 10 and 400 is the commonsense balance, the economic centre. Then we should have the integration of that industry in a modern way, with complete or at least 95 per cent utilization of the sawlogs. It is a case of encouraging and organizing the industry to do it.

THE CHAIRMAN: I thought of asking a question along the same lines. I will put it to you, Mr. Paterson, because Dr. Bates has very properly indicated that his commission have not finished their work, and they should not be asked to say what their conclusions are at this stage.

On page 74 of the brief you refer to the fact that the situation is complicated by the pattern of forest land ownership and occupation, and that the hope seems to lie in combined operations with a utilization of all available trees to the best advantage.

Later on, on the next page, you said:

"Information concerning forest resources indicates that sufficient supplies of wood can be produced on a sustained yield basis to allow yields to be doubled in the next 30 years."

Then in the closing pages you mention that there are limiting factors which could have an acute restraining effect on the rate of full development, and you refer to inertia on the part of a large portion of the lumber industry to make desirable changes.

My question is, what can be done to overcome such inertia and to enforce the type of forest management which I presume you had in mind when you referred to the fact that under certain conditions the production could be doubled?

MR. PATERSON: I would like to introduce Mr. K.B. Brown, of our Department of Lands and Mines, who will reply to your question.

MR. BROWN: The question puts me on the spot, because that is the very thing which Dr. Bates and his commission are now studying, how we can efficiently utilize the supplies we have.

THE CHAIRMAN: Perhaps I had thought of the question before we heard from Dr. Bates, so I shall withdraw it.

DR. BATES: I shall be glad to answer that question; by making the wood-using centres of this province so efficient, so sensible and so co-ordinated that nothing anybody can suggest will make them more profitable. That is all we can do; we are going to do it, and I believe it is in sight. This is a very important point which you have raised.

THE CHAIRMAN: I do not think it is good enough just to tell people that by doing certain things they will make more profit.

DR. BATES: We believe in that sort of thing so strongly that we are about to recommend certain changes which will give positive encouragement if they do it that way rather than penalties if they do it the present way. In other words we are trying to arrange everything as much as possible by encouragement.

THE CHAIRMAN: Perhaps we have been pursuing a line of questioning that is embarrassing, in view of the fact that you are about to make recommendations.

DR. BATES: No, I do not look upon them as embarrassing, but I would like to emphasize that we believe the right way to do it is by positive incentives rather than by prohibitions. We believe it will work if we are smart enough to figure out the fundamentally correct pattern which six months ahead of time we think we have found.

MR. LUSSIER: I have a couple of other questions to ask. It may be that you are not ready to answer them, and if you are not you will tell us so. You suggest on page 142 that the dominion government should be more co-operative in connection with fire protection. Have you any concrete suggestions to make to the government about that?

MR. PATERSON: I will ask Mr. Brown again to reply to your question.

MR. BROWN: As you know, that has been the subject of considerable federal-provincial discussion, and a plan was proposed at one time by the federal government which we did not particularly like.

Since that time the federal people have refused to even discuss the matter with us, as to co-operation. I am not prepared to make any definite statement as to the method of assistance that would be most acceptable. Presumably it would be the method that would give us the largest amount of money with the fewest complications, but I have no direct answer to that at the present time.

THE CHAIRMAN: That is a pretty direct answer.

MR. LUSSIER: On page 143 you state that the income tax regulations do not favour the proper management of your forests because the revenue is taxed and this encourages the owners to sell their property and take a capital gain in order not to pay taxes. Do I understand that you would be satisfied if the federal government, for instance, would decide not to grant any capital gains on forests?

MR. PATERSON: Mr. Brown again.

MR. BROWN: That, of course is not the answer that we would like to have from the government. On the other hand we do think some way should be found whereby the person who wishes to maintain and operate the forest over a period of years is not put into an inferior position to the person who either sells out or cuts out, or sells out to someone who is going to cut out. We think the tax system should be made to operate as an influence toward good forest management.

There again I do not have the answer, but the one you have suggested, of course, is not the

answer we want.

THE CHAIRMAN: I was going to ask a question on the same point. It seems to me that it is a very important point. I wondered whether in thinking about it you had developed an appropriate solution. There are various things that produce undesirable results, and in order to correct them sometimes we have to find solutions to the situations. I wondered if you had thought this one out to the point where you had found what the solution might be.

MR. BROWN: No, I am not prepared to offer a solution.

MR. STEWART: You cannot get at the same result by control?

THE CHAIRMAN: I just wonder if we could pursue this tax question a bit further. Mr. Brown has said he has not a solution to it. I wonder if anybody else has thought of one.

MR. PATERSON: Dr. Bates, have you any thoughts on that?

DR. BATES: Would you clarify the question, please?

THE CHAIRMAN: The statement is made on page 143 of the provincial brief that the present basis of taxation lends itself or has the result of poor forest management, because a man may sell his timber limits and make a capital gain and be free of taxation, whereas if he holds the limits over a long period and in that way reaps the appreciation that occurs over the years, that appreciation is treated

as income and subject to tax. The suggestion is made that this is a bad thing, and I am asking whether anybody has a solution for it.

DR. BATES: I think, Mr. Chairman, that is a fairly important item for the commission.

THE CHAIRMAN: Oh, I know, but what I am looking for is a little help. If anybody has any ideas I would like to know what they are. I do not want to pursue it any further unless somebody has thought it through.

DR. BATES: No, I do not think we have thought it through. We realize its importance and I think you are quite justified in asking.

THE CHAIRMAN: That is all I wanted to know, whether anybody had thought it through.

MR. PATERSON: We have Professor Pringle of the university forestry school, and he has done some thinking on this.

THE CHAIRMAN: We would like to hear from him.

PROFESSOR PRINGLE: I have been keeping quiet, because I have no authority to speak for the province of New Brunswick.

THE CHAIRMAN: This is a wider question. It applies presumably throughout the country, and it only came up here incidentally. I do not think you need feel that this applies only to New Brunswick.

PROFESSOR PRINGLE: The lumber industry has already made one suggestion. A brief of some length was presented to the federal government during

world war II. Their answer, of course, was not the abolishment of capital gain on the sale of wood land, but rather that of making possibly a decreased depletion allowance. The federal government was not in agreement with that.

THE CHAIRMAN: That would mean really a lower rate of taxation for this industry.

PROFESSOR PRINGLE: That is correct. It is perhaps only fair to point out that what actually happens frequently is that there is a sort of under the table deal whereby cut-over land may be bought back by the owner, perhaps at a very nominal price.

The answer I do not think is evident by following any pattern which is considered across the board with other industries.

THE CHAIRMAN: Well, the farmer has to pay a tax if he sells his herd of cattle, does he not? It may not be the answer you are looking for, but it is an answer.

PROFESSOR PRINGLE: I am afraid I cannot answer it. There is no evident answer. Certainly your suggestion would do away with the difficulty.

DR. BATES: Might I add just a word or two. I think all of us, and certainly those of us on the New Brunswick commission, were most happy when your commission was formed, because already we had found ourselves limited to a certain extent by the boundaries of the province. We could not do anything about taxation, or talk about it; and the over-all federal taxation is a far greater item in at least the

forest products industry than any provincial taxation.

THE CHAIRMAN: That is true in every industry, is it not? Now, that is a fair question.

DR. BATES: Farming? Agriculture?

THE CHAIRMAN: You suggest the farmers do not pay their taxes, but I believe the farmers suggest that they do.

DR. BATES: I think what we are trying to say is that all of us interested in this subject across Canada, not just in New Brunswick, were very pleased indeed when your commission was established, because only you can handle and consider some of these country-wide federal phases of taxation. We are all very pleased that you are considering that question most carefully in relation to the forest industry.

In turn we are doing the same thing in our own way in relation to municipal and provincial taxation in New Brunswick; and may I say that if you happen at any stage to want further information or opinions when we know more about it, we shall be delighted to oblige you, because we have been given a very important function to perform in that regard. This thing is tangible enough for you to find the right decision, and we think there is an important job to be done.

MR. GRAUER: When do you expect to have your report in, by the way?

DR. BATES: As far as I know we shall be continuing through next year. Perhaps it would be well to say a word about that. We are a local com-

mission, limited to forests, and our determination is to get things done by the end of next year among ourselves in the province, without much publicity; to get things done so our report will be about a page long, setting out our accomplishments. We can do that for a limited function in a limited area, and you cannot. You will probably wish you could.

I think that explains what I wanted to bring out.

MR. GRAUER: There are a few questions I would like to ask about the representations made with respect to power and mining. As a preliminary, what is the developed kilowatts in New Brunswick now, approximately?

MR. PATERSON: I introduce Mr. R.E. Tweeddale, assistant chief engineer of the New Brunswick Electric Power Commission.

MR. TWEEDDALE: What was the question?

MR. GRAUER: What is the developed capacity in New Brunswick?

MR. TWEEDDALE: It is 242,000 kilowatts, of which about 102,000 is publicly owned and the rest is privately owned.

MR. GRAUER: As I understand it, there is a hydro potential of 537,500 kilowatts, and the problem the province faces is one of financing this development.

The proposed developments and uses of the power, I take it, they are supposed to be self-sufficient, to carry themselves, are they not; or is

it proposed to subsidize the development of industry through cheap power?

MR. TWEEDDALE: These sites would all be self-liquidating sites, and at the present time, at least from the power commission's point of view, we would not be subsidizing industry.

MR. GRAUER: The matter of power seemed to be brought up particularly in reference to the mining properties, the base metal mining developments. Have they put forward any specific proposals? What are they prepared to do? Are they going to build a smelter, or go further and fabricate here? I am trying to find out where the chief use of power will come from.

MR. PATERSON: We also have the director of mines here.

MR. CLEMENTS: We have Dr. Boylen here today, and Mr. Udd. Perhaps they would be ready to say a word on that later.

MR. GRAUER: I am trying to get clear where the difficulty comes in connection with financing. If these are developments which will carry themselves presumably this will be done over a period of time, but the brief seemed to be very positive that it could not be done without outside help in connection with financing.

PREMIER FLEMMING: The whole point is this. It is not that they are not self-liquidating, but it would be the strain on provincial financing; that is the point.

MR. GRAUER: Have you run into some indication of that, then?

PREMIER FLEMMING: I would not like to say we have, but we do not want to run into any trouble.

MR. GRAUER: I am rather interested in this point personally, because when my company announced its post-war programme for the ensuing ten years, in about 1945, we were told by the chief financial man in the British Columbia government at that time that it would be absolutely impossible to finance that programme, that we could not raise the money.

Now we are just reaching the end of the ten-year period, and we have increased that proposed expenditure by three and a half times and financed the whole thing.

It is not always certain that one cannot do these things, particularly in a field like electricity. Where the proposition is a good one, if the hydro sites are sound and the market is there, usually that is regarded as a fine investment by insurance companies and others.

I was just trying to get whether there was some definite road block in your financing, or whether this was more an expectation that perhaps with the hydro financing along with all else you might be going back to the market too often. Is that what it is?

PREMIER FLEMMING: I think probably some clarification might be in order with regard to

our financing. Up to now the New Brunswick government has done the financing for the power commission. They now have the authority, which was given by legislation last winter but which has not yet been put into operation, to issue their own securities if and when it is considered advisable to do so, but up to now the financing for the New Brunswick Electric Power Commission has been carried on directly by the provincial government, by way of advances.

The difficulty which I outlined just now, or the matter of the anticipated difficulty of carrying a large burden of financing in addition to the regular financing which the province will have to undertake -- perhaps we are unduly alarmed about it; nevertheless we do feel that if it were done under the ordinary circumstances and conditions under which we would be doing it, it would bring a great burden to the province, in spite of the fact that the projects might be quite justified economically and we would consider them to be self-liquidating and take care of the financing.

MR. GRAUER: I notice that the power commission is going to do all the future development. Is that a question of provincial policy, or were the private companies not interested in participating in the development?

PREMIER FLEMMING: The remaining sites are pretty much in the condition that they lend themselves to development by the public authority.

MR. GRAUER: Of course it would assist in

the mechanics of financing if you had two or three sources go into the market for the same amount of money. It is usually easier to raise that amount of money in that way than if only one tries.

PREMIER FLEMMING: That has been considered, with respect to the idea of having the New Brunswick Hydro Commission do their own financing; that there would be two bodies, even though they are both governmental bodies. The institutional buyers, I believe, have certain fixed amounts or percentages which as a rule they do not exceed.

MR. GRAUER: There does seem to be that tendency. That is what made me ask the question.

PREMIER FLEMMING: I believe Mr. Fitzrandolph is here, the controller general. I do not know whether he wants to add anything.

MR. FITZRANDOLPH: We have had a number of discussions with the federal government in connection with our problems of financing the great development in connection with electric power, and we are a little worried about the size of what we have to do. In our conversations with the federal officials, they sympathized a great deal with us, and I believe that they felt for a comparatively small province like New Brunswick to undertake this would be a very large undertaking which might well result in an increase in rates and perhaps a worsening of the credit standing of the province, which I might say latterly has been steadily improving, and we want to keep it improving. We do not want to run into any difficulties such as might

reasonably be foreseen.

PROFESSOR SMITH: We have discussed this matter in the past with authorities which of course we do not want to name but who generally would be considered as giving good financial advice, as good as is available in this country. While they say we should be able to do Beechwood, they generally admit that for a small province like us to do the whole Saint John river presents real financial difficulty.

MR. GRAUER: Does it all have to be at once?

PROFESSOR SMITH: No; but even over a period of time there is general agreement that we would be going back to the market quite often.

THE CHAIRMAN: You would have to pay a higher rate, I suppose?

PREMIER FLEMMING: That is what I was going to bring up. The importance of a low interest rate in hydro development, in the ultimate cost of that power, is tremendous. Therefore federal assistance which would make a difference of even one-half of one per cent or one per cent might make a tremendous difference.

MR. GRAUER: Would this policy be advanced as a national policy, that the federal government should give assistance to all provinces in their hydro developments?

PREMIER FLEMMING: We did advance an idea of that nature at the dominion-provincial conference.

MR. GRAUER: That probably gets us back to what is going to happen to the federal government, following along the logic of these things, if it has to guarantee everything. It puts quite a strain on the federal credit, perhaps.

PROFESSOR SMITH: In this brief, and in the presentation of New Brunswick to the dominion-provincial conference, we do say that New Brunswick believes in a broader approach to the development of resources. We suggested a revolving fund of something like \$200 per capita, which would be a total of \$3 billion. Such a fund would give New Brunswick \$210 million, and the province would draw on this for approved resource development projects.

In New Brunswick we would like to draw on this for power purposes, but we appreciate that other provinces might like to draw on it for other purposes.

At the present time the federal government is helping the provinces to develop their natural resources. For instance, we understand they are going ahead and assisting the province of Ontario to obtain cheaper energy by financing the gas pipe line. We all know the Prairie Farm Rehabilitation Act and what it has done for the prairies. All we are asking is that there should be a broader and more general approach to this problem of federal assistance in resources development.

MR. GRAUER: The proposed tidal development on the Bay of Fundy -- I realize that is still in

the talking stage, but has there been any preliminary study made at all to indicate what the probable cost might be there?

MR. TWEEDDALE: No, I do not think you can say there has been a study made, especially for the two-basin proposal, which would be the international proposal. There was a very extensive study made before the war by the Americans on the one-basin proposition at Passamaquoddy.

The matter was referred, as no doubt you know, to the International Joint Committee several years ago, and the estimated cost of the study at that time was about \$3 million, to make a fairly detailed study and estimate of costs of the project. Since that time I understand it has been reduced to approximately \$2 million for the study; but I think you can say there has been no specific study made there.

We feel this is possibly the time that should be done, to find out once and for all what the potential is in the tides and what the cost would be so we can fit it into our inventory of energy or discard it, as the case may be.

MR. STEWART: Some of us who are novices in this field would be very happy if you could tell us in a word or two just what are the mechanics involved in getting power from a tide, or what the engineering would be.

MR. TWEEDDALE: Well, the Passamaquoddy two-basin project is a series of dams and a power house

in which one reservoir would be filled as the tide came in and would discharge it into the second reservoir through turbines. Then as the tide went out, that basin would be emptied ready for the refill with the next high tide.

PREMIER FLEMMING: And it is a very substantial tide.

MR. LUSSIER: Is it the only place where you can develop the tide, at Passamaquoddy?

MR. PATERSON: There is a second alternative at the eastern end of the Bay of Fundy.

MR. STEWART: What about Chignecto?

MR. PATERSON: That is the location I am speaking of.

MR. STEWART: Is there any interest in the canal at all as a canal?

PROFESSOR SMITH: I think we all believe that the Chignecto canal should be given a very careful economic study. Speaking personally, and not for the province, I have never seen estimates of the capital cost, together with estimates of the yearly cargo passing through the canal, and what the other costs might be. I think it could well be studied. The basic economic homework I think should be done.

MR. GUSHUE: There is a substantial difference in the rise and fall of the tides on both sides of the neck, is there not?

PROFESSOR SMITH: Yes, but there is no proposal that we will get power from that.

MR. GRAUER: There was, in one of the provinces we visited.

PREMIER FLEMMING: You have heard about it before?

MR. GRAUER: That is right. Then on pages 84 and 85 of the brief, Mr. Paterson, reference is made to the chemical industry. In the concluding paragraph I find these words:

"....there are some of the opinion that resulting chemical industry could well rival the metallurgical operation as an important factor toward expanding the provincial economy."

Have there been any studies made of the development of this chemical industry, particularly in reference to markets?

PREMIER FLEMMING: We have, as Mr. Clements has pointed out, Dr. Boylen here, president of the Brunswick Mining and Smelting Company, and perhaps at this stage --

MR. GRAUER: We shall let the question of mining stand for the moment, then.

THE CHAIRMAN: There is just one more question I would like to ask on power. At page 51 of the brief you have a table of the installed capital estimates of projects that are not yet developed. As I understand it, some of these projects, not including Beechwood, depend on developments on the Saint John river in the state of Maine. I wonder if you would care to inform us what the complicating factors are there. That is a fact, is it not?

PREMIER FLEMMING: Yes, that is quite true.

THE CHAIRMAN: And you are restricted until certain things are done in the state of Maine?

MR. PATERSON: I think Mr. Tweeddale can outline that situation.

MR. TWEEDDALE: The present development at Beechwood is being carried on as a run of river basis, plus the developed storage that already exists on the river, which amounts to some 400,000 acre feet. Of this, 200,000 is on the Tobique, which was developed by the power commission in connection with its Tobique power development. Then 100,000 is developed by the Gatineau Power Company on Temiscouata lake, and another 100,000 on the Aroostook river itself by the Maine Power Company, which tends to assist in connection with Beechwood, so it is not entirely run of the river.

What you say is entirely correct. The two remaining undeveloped sites on the river at Morill and Hawkshaw would be quite difficult to justify economically without some storage, or without a much larger back-up steam capacity. The back-up, as you of course know, in forming up a hydro site, can be done either by storage or by steam. The steam proposition is possibly a little more expensive than the storage.

So it is very doubtful whether we as a power commission could advocate following up Beechwood by another river development without first building

either steam or storage.

A study has been made, as you no doubt know, of the Saint John river by the International Joint Commission to determine the potential, both in storage and from the power point of view, and there are some very large storage sites on the river, especially in the state of Maine. One site which is just across the international border, about three miles above the border, known as the Rankin Rapids site, would develop some 300,000 horsepower of power and at the same time one and a half million acre feet of storage, which could be used at that site as well as on all the sites further down the river. In addition to that there are other storage potentialities in the upper basin of the river, but the major one is in the state of Maine at Rankin Rapids.

THE CHAIRMAN: Are the authorities in the state of Maine interested in the development of that particular site? Do they need the power?

MR. TWEEDDALE: No. At the moment in the northern part of Aroostook county it is very much undeveloped, as you know. In fact this site is in a wooded area and it would be some 250 miles to Portland, say, or the large power consuming sections of the state of Maine, which with the transmission liability would make the power cost fairly expensive, in fact more expensive than undeveloped sites on the Kennebec, for instance.

MR. GRAUER: What is the transmission distance from that site to the New Brunswick load centres?

MR. TWEEDDALE: The transmission distance to New Brunswick would be within the possible economic advantage. To Bathurst I think it would be some 175 miles.

MR. GRAUER: That is not counted in the potential which we have in this brief?

MR. TWEEDDALE: No, it is not. Another factor is that in the state of Maine there is private utility distribution, and the estimated cost of this site is some \$80 million, which would tax the financial capacity of the private utilities in that area even if they could get a market for the power.

THE CHAIRMAN: The point I wanted to come to was this, that assuming that in one way or another you could get the financing to go ahead and develop your own potential here, as I understand it the next two logical sites are dependent first of all on development in the state of Maine; and from what you say it does not seem very promising that the people in the state of Maine might be willing to go ahead, or would find it desirable to go ahead, with the development.

Does that mean that for practical purposes we should subtract from this total of 536,000 kilowatt potential these two particular sites, which as I see them here add up to 178,000 kilowatts?

MR. TWEEDDALE: No, sir, I do not think we should subtract them. Even if we do not get the Rankin Rapids site in Maine, and of course we hope that will happen --

THE CHAIRMAN: I am not clear on why you hope.

MR. TWEEDDALE: We feel that ultimately the energy will be required in Maine.

THE CHAIRMAN: Just what grounds are there for hoping?

MR. TWEEDDALE: Maine does not require the power at the present time, as we can see, and there seems to be no disposition on the part of the people of Maine to develop it either for themselves or for us. As a matter of fact the province of Quebec is handiest to this site. It is only 50 miles to the St. Lawrence from this particular site.

However, we feel that in any case we are not stymied, because as our load grows and we take up much more consuming capacity, ultimately we will be able to develop these two sites on the Saint John river in any case; perhaps not as economically as we could with storage, and perhaps not as rapidly as we would like, but ultimately, especially within the 30-year period which we are considering, undoubtedly those sites will come into the picture in our inventory.

THE CHAIRMAN: Thank you very much. The suggestion, I think, was that before we ask questions about the mining potential we might ask Mr. Udd to say a word.

MR. UDD: Mr. Chairman, Mr. Premier, ladies and gentlemen, I think it is appropriate that I introduce myself to you, who do not know me, and identify my acquaintance with the subject at hand.

My offices are in Montreal. I happen to be president of Strategic Minerals Corporation, which is a United States-financed company organized for the purpose of developing and finding just what the name implies. Coincidentally I happened to be associated with Dr. Boylen in the exploration and discovery of the ore with which he is primarily interested now.

I mention that particularly because some of the information I am about to give may in a sense overlap that which will be given by the Brunswick Mining and Smelting Corporation, though I am here primarily to explain developments with respect to Woodstock and the manganese ore deposit at that location.

The Strategic Materials Corporation fully owns the Canadian subsidiary called Stratmat Limited; I mention that to indicate that this is outside money interested in the province of New Brunswick. Stratmat is interested in manganese, which is one of the most important metals in our economy, if not the most important, a fact which is not known to everyone. It is known to few laymen. Manganese is one of the primary minerals which Stratmat set out to find and did find.

Steel could not be produced at all without manganese. Think of the importance,

therefore, to the economy, to our life as we know it. Our automobiles, our aircraft, our railroads and locomotives and what have you; our household utensils; everything made of steel, and without manganese there would be no steel. You appreciate, therefore, the tremendous significance and importance of manganese, knowing just that one fact.

You should also know, then, that this continent is a have-not continent with respect to manganese. Some 90 per cent of the manganese used in the production of steel is imported from foreign sources. Prior to world war II the majority of it was imported from what is now China and Russia, and to some extent from India. During world war II and subsequently the bulk of our manganese has been imported from India and South Africa, and to some extent from South America. These ores come in as what we call shipping grade ores, and contain the required percentage of manganese for the purpose of producing alloys which are required to make steel; ferromanganese.

During world war II the United States government and private interests, the steel industry and others, spent millions of dollars seeking domestic sources of manganese ores, and seeking ways and means of upgrading the known low grade manganese or manganiferous ores to produce the required ferromanganese to sustain those industries.

In various sections of the United States several low grade deposits were found, Arizona being one, Montana another, South Dakota a third, and

across the border here at Aroostook, Maine, a fourth. In every case those ores were of such low grade they were not amenable to the direct production of ferromanganese, and it was until much later that chemical methods were developed by which lower grade ores could be used to produce ferromanganese.

I give you that as a background because it illustrates the importance of this ore not only to New Brunswick but in my book very definitely to Canada as a whole and to this continent, not only in the event of a future war, in which case it would be extremely important and critical, but because of the fact that in today's economy it is not a good situation to be dependent upon any foreign nation across the sea for any vital element, particularly one as vital as manganese.

In the course of our exploration programme in New Brunswick, which started about the time we came to New Brunswick, we learned of the potential supply of low grade manganese ores in the Woodstock district. We had known of the Aroostook ores for years. We spent some considerable time and money and actually applied geophysical methods to endeavour to find the ore; and to make it short, as of today we have discovered by exploratory methods, including drilling, that those ore bodies total in excess of 200 million tons of manganiferous ore, containing a minimum of 10 per cent manganese and an average grade of 14 per cent iron; and I mention that because it is important in the final result.

There is much more ore than that, but how much more we are not disposed to even find out. We have enough in sight for many years to come.

Then the big question arose as to what was the differentiation between this ore and that across the border in Aroostook, Maine, where deposits have been found over past years.

This question becomes important, because we were talking about the development of the Saint John water power situation, and there is an element involved here as far as power is concerned. They have manganese ores, so does New Brunswick.

During the period of the past three years we have tried, with private money, to find ways and means of upgrading this manganese ore to make it economical and profitable and useful to the industry. We did make one fortunate discovery, that the Woodstock ore was amenable to a peculiar form of sulphuric acid leaching. The obtaining of the sulphur is no big question; this might provide an outlet for the sulphur from the Bathurst area.

As we carried on our research work we went into the field of electro-thermal metallurgy and in that field, through outstanding metallurgists associated with us, we discovered a unique and completely novel process for working ores of this kind, by which we take these ores and through this electro-thermal process come up with a high grade ferromanganese.

The question then arose . . . whether this process was practical and economic. We therefore have carried on for the past several months several bulk tests under this process, and reached the conclusion recently that it was economical, subject to the cost of power, power being the critical factor because it represents 40 per cent of the total cost of production, at wholesale power rates. We became so fully certain -- and by "we" I mean our organization internally plus our consulting engineers, who are known to most of you, Surveyer Nenninger and Chenevert, of Montreal, outstanding electrical consultants in Canada and consulting engineers -- we became convinced that it warranted a substantial additional expenditure.

We felt we could do one of two things. We could either go directly into production on a small scale and attempt to work out the remaining bugs in design, which are bound to occur; or we could go into a pilot plant on a small scale which, because it would be on a small scale, might not give us the answers.

We were then confronted with a decision which in some respects revolved around the availability of power here in the New Brunswick area. We came to the conclusion that we should not go into a small scale, laboratory scale, pilot plant operation, but that we should go into what we might call a small production unit, which incidentally is now under way, which would require something in the range of 8,000 kilowatts connected load with a 90 per cent constant factor.

That power was not available at Woodstock. We had discussions on the subject with the power commission. There was the further fact that we also came to the conclusion that this plant should be used as a prototype for many other purposes.

We therefore concluded that since the power was there, centrally located for convenience, and because it was a matter of convenience in many other ways, the plant should be located at Niagara Falls, Ontario, where it is under construction at the moment.

We then get back to the contemplation, or the definite planning we have made, subject to the availability of power at the right price, in connection with Woodstock. We envisage -- and again I come back to a stronger word, because we are not at the envisaging stage either; we definitely intend to build the first production unit in the Woodstock district as soon as two things have been accomplished. The first is, as soon as we are assured of a 20,000 kilowatt connected load. We may have to finance it ourselves, but we would hate to do so. Those of you who are aware of power costs are aware how important that item is in connection with a project of this type.

However, we had a talk with the power commission here, and we are somewhat encouraged after these discussions. So we are planning beyond the prototype unit, and now intend to run Woodstock ore through the prototype plant for three to four months after completion, which should be within a year from

this date, and then embark upon the first production unit, which will handle sufficient ore to produce 70 tons of manganese a day.

I might point out that our plans provide for the ultimate production of 250 tons of ferromanganese per day, which is only 10 per cent of the consumption of ferromanganese in the United States alone per year. It is the equivalent of the consumption of ferromanganese within Canada alone.

We then come to an important phase of the economics of the situation. Ferromanganese today is selling in the United States at about \$190 per ton. There are many technical factors; I do not want to bore you with them, but it runs into three classes, high, medium and low carbon, and the price varies according to the grade depending upon the carbon. Therefore, since the price is fixed by the market, our problem in determining the economics of this problem is the cost of power; because the price of the commodity might go up or down but the price of power is generally rather fixed.

We have satisfied ourselves, after discussions with the power commission, that we can produce ferromanganese by this patented process of ours profitably, provided we get the power at the rates discussed, and provided that the price of ferromanganese does not drop. On that point we, like any other metallurgical company, would be quite willing to gamble, because it is not likely that ferromanganese is going to drop much. During the depression obviously

it did drop, but everything else dropped also.

THE CHAIRMAN: Then the provision of power is your problem at the moment?

MR. UDD: That is our situation; it indicates our power requirements, namely 20,000 kilowatts as we foresee it within two years from today, and up to 100,000 kilowatts within four or five years. It could have a tremendous economic benefit to this district and also to the country, for strategic reasons.

As far as employment is concerned, if we were to develop ferromanganese in the Woodstock area in the range that I have referred to, we would employ approximately 500 men. If we were limited to simply selling the ore as such we would not employ more than probably 60 to 75 men. From our point of view we definitely have an interest in the power situation and its availability.

I could say much more with respect to the manganese story, but I would like to stop and let Mr. Boylen say a word about the Brunswick Mining and Smelting.

MR. GRAUER: What is the order of price for the 20,000 kilowatts that you would require?

MR. UDD: As long as ferromanganese sells at \$190 per ton for the high carbon grade, we can pay 6 mills for power.

MR. GRAUER: And at 90 per cent load factor, did you say?

MR. UDD: Yes. The economics in that

respect are very important. If we were able to obtain power at the wholesale rate, for example at T.V.A. or Bonneville, this could be a tremendous industry; but it has to be limited in size because of the lack of power. I have no doubt that Maine with its substantial ore bodies, knowing our process is applicable to its ores as it is to the Woodstock ores, would be interested in the production of ferromanganese for the United States market. Saint John itself is quite important for the very reason of low cost power.

If there are no further questions with respect to the manganese operation I should like to say a word about the general position in this province, simply because I happen to know something about it. For the past few years, since the discovery of the New Brunswick ores, I have spent a great deal of time and our organization has spent time in research into the wholesale development of New Brunswick ores and any other ores that might be found within the area. I am fully convinced that in time -- and in time only subject to the availability of power or subject to new technical developments -- we are going to have in this province a completely integrated chemical-metallurgical industry. It is a matter that presents some engineering challenge, but there is nothing that need prevent it.

I am convinced today that if we had wholesale low cost power, the possibility of the ore being smeltered in northern New Brunswick is more than good. The ore is there to warrant this. The



power is not there.

A question was raised a while ago with respect to the research work with respect to the chemical phase of this situation. Probably I can answer that fairly well, although I am not prepared for it quite as fully. A very important subject arises in that connection that we must not lose sight of, but which we probably do not actually realize. The eastern seaboard of the St. Lawrence watershed is a very substantial consumer of sulphur and sulphur products. As a matter of fact all the paper mills use sulphur, and most of them have to import it from the gulf states. For a time it was a scarce commodity, but fortunately, due to the Louisiana find, it is not in short supply today; but it might be. The eastern seaboard, the New England states, the Atlantic provinces, the province of Quebec, are almost entirely dependent upon imported fertilizer, which is very important to our economy.

The chemicals, including sulphur, in the Brunswick ore and the Ungava ore, are a potential source of supply of both these commodities, both of which are imported. But the problem is difficult. It is difficult both with respect to power and financing. It is not difficult from a chemical engineering point of view, however. It is a simple enough matter to extract the sulphur, but it has not been approached as it should be only because of the unavailability of wholesale low cost power.

I could add much to that, but I do not want

to bore you with it. That, in a nutshell, is the situation as I see it. I would be pleased to respond to any questions you might have.

THE CHAIRMAN: Thank you very much. I think the premier suggested that we might also hear from Dr. Boylen, and perhaps we might hear from him first and then if we have any questions we can put them to you. Dr. Boylen?

DR. BOYLEN: Mr. Udd has covered a great deal of this need for cheap power in the province of New Brunswick, and I am only prepared to speak on the development of the Brunswick Mining and Smelting and the surrounding ore bodies.

Brunswick Mining and Smelting provides two properties two miles apart; and the tonnage of those two ore bodies is in the neighbourhood of about 60 million, of massive pyrite ores. The No. 6 ore body, which is the original discovery, is being mined by open pit; the No. 12 ore body, which is now wholly owned by Brunswick Mining and Smelting, is being developed by shaft. At the present time the No. 1 shaft is down about 400 feet. This again is a massive sulphite ore body, highly concentrated. We are having considerable trouble in metallurgy, but we can see now where we can lick it in a fairly short time.

When I was asked to come to speak here in regard to the possibility of present ore bodies and future possibilities of the province, mineral-wise, I called upon the St. Joseph Lead Company of New York city, as they are the managers of Brunswick Mining and Smelting today. I felt it only right to ask them for their views on what we could expect, and a little later on I shall read you a letter I have just received from them.

With these two ore bodies, Brunswick Mining and Smelting have only a small part of the ore potentialities in the province of New Brunswick. There is American Metals with a huge ore body whose

dimensions I do not know exactly, but I know it is in the neighbourhood of about 20 million tons of ore; at least I am given to believe that is what it is. There is another property with 4 million tons and maybe many more, as this ore body was not found on the surface but about 500 feet below, and it again is a pyrite ore containing large quantities of lead, zinc, sulphur and copper. We do not know if we are going to have as much metallurgical trouble with them as we have had with Brunswick ores.

I would like at this time -- this is strictly my own view on the Brunswick situation, having talked to some of our metallurgists -- to say that they can foresee in the next ten years the town of Bathurst, or a town somewhere along the coast there, of at least 20,000 people. By that time Brunswick would have a mining plant costing in the neighbourhood of \$125 million, and you people would see tankers steam out of the harbour of Bathurst with sulphuric acid and other materials. One fairly sure thing is a lead smelter. This, of course, all will be included in the \$125 million expansion.

As you all know, this is the largest ore body of its kind in the world. Even St. Joseph say it ranks with the best. It is not unlike Consolidated Mining and Smelting in the west, -- fact our ores are a little higher grade. But they in turn have cheap power, so their recoveries are a little higher than we have been getting. Of course it has taken two or three wars to put Consolidated

Mining and Smelting where they are today. We hope a third world war will never happen, but should it happen I believe an important source of supply will be Brunswick Mining and Smelting.

At the other property, which is situated about six miles east of Brunswick Mining and Smelting, we are sinking a shaft to a depth of 1,500 feet. We plan there on having a concentrator to handle in the neighbourhood of 1,500 to 2,000 tons per day. That will greatly depend, of course, on our underground development; but generally, from the trial results, it looks like that will not be too far out.

Just recently they have taken on a new property. One of the first to be developed in the Bathurst area was known as the M.J. O'Brien Limited property. They have a very large property consisting of about 233 claims, and they have a nice ore body, very uniform, in the neighbourhood of 600,000 tons of lead, zinc and silver. That comes under a new company that I acquired. Again we are going to develop. We are starting to sink a shaft to a depth of 500 feet, and that ore will be handled at the mill which is within ten miles of this location. We propose increasing the capacity of that mill to between four and five hundred tons a day in order to do the custom milling of the Sturgeon river ores which we will be getting there from this mine on this M.J. O'Brien location.

There are other deposits and other good locations in the Bathurst area, and I think you will see

many more ore bodies developed there in the years to come. Definitely our grandchildren will see the benefits of Brunswick Mining and Smelting, as we have already started on a 4,200 foot shaft at the No. 12 ore body at Brunswick. That shaft is now being collared and the mining plant is being assembled. So far we have developed 60 million tons of ore, and the ore is getting richer as we go deeper and wider, so you can see the size of the ore body.

I would now like to read what St. Joseph Lead wrote me, which I have just received:

"In regard to potential mining development and in regard to further discovery. As the geological knowledge of the area increases, the probability of further discovery would appear to improve and known ore bodies be extended.

"The Brunswick Mining and Smelting Corporation is pursuing the development of its mines, milling and the necessary smelting processes as diligently as engineering and metallurgical problems permit consistent with the mine size and the problems encountered. It will be understood that the size of ore bodies and the mining rate have economic impact proportional to their size. For example, a two or three hundred ton per day development from a small mine with its accompanying concentrating mill does not generally have a very great economic

metallurgical problem, particularly if the ore, as most Canadian ores appear to be, is not too complex or too disseminated. With the Brunswick ores, we have both of these factors which must be taken into consideration, and from present indications, the recoveries of high grade concentrates from these complex ores will result in generally low recovery of the values. Also, these ore bodies, as indicated from the exploratory drilling, and a limited amount of underground development, are sufficient to rank them with the world's great ore bodies. Present plans are predicated on these mines being in production some time in 1958 at an approximate rate of $1\frac{1}{2}$ million tons of ore per annum. Mine development and milling research has progressed to the point where this estimate is regarded as reasonable. In any case, 1958 is the target date we are now working toward for this operation. You, of course, understand that very fine research laboratories have been established already at the mine with a fairly large research organization working on the problems of concentration and milling of these ores in order to obtain knowledge of value recoveries, and that this work is being carried on in connection with the Battelle Institute, a very competent research organization. No effort is being spared to expedite this work.

"It is probable that the smelting and refining developments will not keep pace with the mine developments lagging behind from one to three years because of new techniques that may have to be worked out. This work is being carried forward by the research organization at our Josephtown smelter as well as at Battelle Institute. The economic studies necessary to insure no mistake is being made in smelting and refining facilities have considerable magnitude. For instance, smelting and refining require huge quantities of power. In some of these processes, power is 20 per cent or more of the total smelting and refining cost. The location of these facilities will depend upon power cost, reduction fuel cost and other supply factors, transport cost will also be an important item. These ore bodies have a tremendous potential as a basis for a chemical as well as a mining industry, and it is our thought that a complete recovery of all of these inorganic chemical bases and metals must be accomplished.

"Therefore, geographical location of these smelting and refining operations will be most important. A great mine potential does not necessarily guarantee producers a place in the sun.

That place will only be achieved by intelligent planning, for we realize competition will be stiff over the years ahead, and Brunswick ore is complex and difficult metallurgically. We will encounter expanded production from the other continents and elsewhere in Canada.

"The full development of the above mentioned $1\frac{1}{2}$ million tons of ore per year may require 100,000 kilowatts of power for the Brunswick Mining and Smelting Corporation looking five years hence; that could easily grow another 25,000 kilowatts in the subsequent five years."

This is only dealing with the Brunswick Mining and Smelting ore body. It does not deal with Sturgeon river or American Metals or any of the others, so you can see that with Mr. Udd's project at Woodstock and this, your power is practically all gone now, without anything new coming along. The possibilities there are pretty great.

In your letter to me you indicated that you might want to hear something about Newfoundland; or do you want to just deal with Brunswick today?

THE CHAIRMAN: I think perhaps we had better deal with this part of the world today. There is one question I am not clear on. I believe you stated that the St. Joseph Lead Company has a management contract. What is the exact relationship between your company and St. Joseph Lead?

DR. BOYLEN: We discovered this ore body late in 1952 and carried through on our own until 1953. Then I saw how important it was, and I knew there would be a lot of money coming from it, so I decided to let somebody else have the management so I would be able to live and enjoy it. So I engaged St. Joseph Lead by selling them a large block of stock, in fact 40 per cent, and it is that 40 per cent they have; and along with the 40 per cent went management. That was my contract with St. Joseph. As you may remember, I sold 200,000 shares to the public at \$10 a share, and the remainder belongs to myself and my associates, so we still have a good control.

Are there any other questions you would like to ask?

MR. GUSHUE: Perhaps Mr. Paterson might want to deal with this question. In your reference to metallurgical industries you state on page 83 of the brief:

" -- the only real problem which is presented as regards the development of metallurgical industries in New Brunswick is the cost and availability of electric power."

Do I take it from this that you don't anticipate the tariff and currency problems that you speak of with regard to the marketing of your other natural resources in this province? In the case of fisheries and agriculture and so on,

reference has been made to the unfavourable market position because of existing tariffs. No such reference has been made in this case. I was just curious to know whether you have no qualms there, and if the position is quite different?

PROFESSOR SMITH: We have looked into the tariff situation, and it does not occur to us that the level of the United States tariff at this time would have very much effect.

MR. GUSHUE: It is different, then, than in connection with some of the other resources?

PROFESSOR SMITH: Yes. If we attempted to go beyond that and make metal products, then we would definitely have difficulty; but thinking in terms of the refined metals, it does not appear to us that the tariff at the moment is high enough to seriously interfere with the development of our industry.

As you know, some of the United States companies have been trying to get the tariffs raised, and if the tariffs were raised this would affect our development. But at the moment we do not feel that the level of tariffs would adversely affect the industry.

MR. GUSHUE: Then it is a level that might just have to be watched?

PROFESSOR SMITH: It is a factor that would have to be watched.

THE CHAIRMAN: Mr. Premier, there was one other person you said we might hear to back up

some of the statements contained in the provincial brief. That was Mr. Arsenault, secretary of the New Brunswick Federation of Agriculture. I think he wants to get away, and I wonder if we might hear from him now so he would be able to leave tonight. We will ask Mr. Arsenault to be good enough to speak to us.

MR. ARSENAULT: Mr. Chairman, on behalf of the New Brunswick Federation of Agriculture, representing some 10,000 farmers, I wish first of all to express our appreciation for the opportunity to state our support of the views and statements of our two sister organizations in the two provinces where you have held sittings, the Nova Scotia Federation of Agriculture and the Prince Edward Island Federation of Agriculture. I have received copies of the briefs which they presented to you, and I have also listened to the submission of the province of New Brunswick, which has just been made. The New Brunswick Federation of Agriculture is in full support of that submission.

The New Brunswick Federation of Agriculture is not presenting a formal brief. Our organization was organized only ~~some~~ two years ago and it is not yet fully staffed. The farmers are just getting organized in this province; and perhaps the fact that we are not prepared to present a written brief, but just to make a verbal presentation, may be indicative of the alarming situation which exists in this province.

Agriculture in the three Atlantic provinces has many things in common. These include a decline in agriculture, which is proceeding steadily.

As to the percentage distribution of farms according to size, we have in this province 84.5 per cent of the farms under 70 acres; 12.4 per cent of the farms from 70 to 129 acres, and only 3 per cent over 130 acres.

New Brunswick dairy farmers are particularly alarmed at the dark clouds which may spell the doom of an industry which means so much to this province, where the dairy cow is an important source of income on many small farms. It is a well established fact that dairying is carried on in various degrees on practically every farm in this province; and here, as in many other phases of agriculture, the problems which are arising are of serious consequence, and they are made more serious by the small acreage which we have, which is shown by the figures I quoted.

I would like here to put particular emphasis on the importance and the necessity of doing everything possible to help put the traditional farm unit on a mechanized basis. Low farm prices and steadily increasing costs of production have combined to create a situation which might lead to disastrous results. As stated by Mr. Hannum, president of the Canadian Federation of Agriculture, the post-war peak was reached in 1951, and the fall was very rapid in 1952, a little slower in 1953 and

again in 1954.

During this decline from the peak in 1951, farm costs of production and farm living costs have not declined. Neither has there been a decline in the prices of farm products to the consumers, due to many factors over which the farmer has no control, such as transportation to markets, distribution, processing and labour.

The result has been a cost-price squeeze which today represents a decline in the purchasing power of the farm dollar of about 20 per cent since 1951. Mr. Hannum pointed out that fully three-quarters of the drop in the national income last year was due to the decline in the agricultural sector alone. It is quite logical, therefore, to emphasize how important farm income is to the national economy.

I have referred, Mr. Chairman, to some factors which contribute to the unfavourable position in which the farmers find themselves, such as processing, distribution, labour and marketing problems. If you look at the figures showing the share of the consumer dollar, the marketing margin and the cost of living, you will see that the cost of living, taking 1949 as the basic year, went up steadily until 1953, when there was a drop. The marketing margin has gone up at a fast rate and has gone down at a slower rate, while the share of the consumer dollar going to the farmer has not followed the same trend. On the contrary, in 1953

it was down to 95.8, while the cost of living index was still at 112 and the marketing margin was up to 116. Figures given by the Canadian Federation of Agriculture show that the average share of the consumer dollar in agricultural products is just barely 50 per cent.

There is one last point which I feel is very important in this province, with the small farm acreages, in which the farmer who intends to remain on the farm and keep up agricultural production is placed in an unfavourable position. I do not mean that we should retain the small, unproductive or uneconomic farm; but today the farmer must increase his production, in view of the present trend, and put it on a more efficient basis. To do that he must have credit. Again I would like to quote Dr. Hannum, president of the Canadian Federation of Agriculture:

"Present credit facilities in this country, designed for conservative lending under normal risk conditions are no help to these farmers when trouble hits. Moreover, the farmer's return on his investment is not high and it is recovered over a long period of time.

"We would therefore suggest that there is a place in this country for some national agency with broad and flexible powers to come to the assistance of farmers with emergency credit when an otherwise

sound farm operation is threatened with severe loss from natural causes outside of control, and credit is not available through regular channels."

Mr. Hannum here considers emergency credit, but in New Brunswick we do not even get the regular credit, which I think is shown by the following figures.

The Canadian Farm Loan Board, according to its last report dated March 31, 1954, made total loans in New Brunswick of only \$264,200 out of a grand total of \$7,816,750 for all Canada.

In conclusion, New Brunswick farm people are co-operative in regard to all the questions affecting them, and are looking for economic solutions. They recognize that in the final analysis the people themselves must agree on their major problems and then, in co-operation with farm groups in other provinces and even in other countries, work together to arrive at a solution. The role of provincial and federal governments should be to provide the legal machinery necessary for farm groups to operate in such a way that they can secure equal privileges with other groups in our economy.

Governments also have another responsibility, to ensure that no one segment of our industry, particularly one so important and fundamental to Canada as agriculture, lags behind the general economy of the country.

Again I thank you very much, Mr. Chairman.

in Madawaska county, which is close to the province of Quebec, we have the Co-operative de Madawaska, which is doing extensive work there. Perhaps it is not a co-operative so much as it is a farmer-producer controlled organization.

We also have the New Brunswick hog marketing board, the New Brunswick cream producer board, the cheese board, which I understand is the latest one in this province which has done remarkable work, and we have local co-operatives which are perhaps more on the consumer side, but some of them are doing something for the farmers.

MR. LUSSIER: Are they doing well?

MR. ARSENAULT: Oh, yes, but there is quite a bit of work still to be done in that sense.

MR. GRAUER: Do you have any markets outside the province for any of your various agricultural products?

MR. ARSENAULT: The item which would be exported, I suppose, is potatoes, which were mentioned this morning.

MR. GRAUER: I was thinking more of the dairy and meat products.

MR. ARSENAULT: Would you mind if I asked Mr. Lutes to answer that question?

MR. LUTES: Mr. Chairman, I am not sure that I am in a position to answer the questions that have been asked, except in a very broad way. In the matter of dairy products New Brunswick is not self-sufficient.

MR. GRAUER: Is all the cheese consumed within the province?

MR. LUTES: All the cheese is consumed within the province, and we import some cheese. I think that is true of all dairy products. In other products such as poultry products, hogs most of the time, and beef to a large extent, we are not self-sufficient.

MR. GRAUER: So is the difficulty largely one of not being able to get proper prices within New Brunswick?

MR. LUTES: That is a rather hard question to answer. I would just like to point out that on some products, maritimers have been denied prices equivalent to those paid in the larger markets such as Montreal and Toronto. Some 25 years ago the price of hogs in Toronto or Montreal was perhaps 25 or 30 per cent higher than it was in the maritimes. By working together and organizing shipping clubs, which later became what we know as Maritime Co-operative Services, maritimers were able to accomplish something that many thought could not be done. In the past two years we have been receiving the Montreal price for hogs, which is the highest in all Canada.

We are in exactly the same position in the marketing of beef cattle today. We are not getting the Montreal price because we do not have a competitive market; we do not have open stockyards, so we must find some other way of getting those prices.

It has been pointed out in the matter of beef that while the farmer in the maritimes takes 25 per cent less than the market price for his products, consumers in the maritime cities in most cases pay slightly more than in Montreal or Toronto.

THE CHAIRMAN: Thank you very much, Mr. Arsenault and Mr. Lutes. We shall adjourn now until tomorrow, when it is suggested that we begin our session at 9:00 o'clock.

--- At 5:30 p.m. the commission adjourned.

Thursday, October 27, 1955

The commission resumed at 9:00 a.m.

APPEARANCES:

Dr. H.S. Wright,
Mayor of Fredericton;

Mr. Herlof Smith,
Trade Commissioner,
City of Saint John;

Mr. Nelson Mann) Atlantic Provinces
Professor H.J. Whalen) Economic Council;

Mr. Ralph D. Evans,
New Brunswick Council of Labour;

Mr. Colin Mackay,
Maritime Lumber Bureau;

Mr. E.H. Brewer) New Brunswick
Mr. A.H. Kingett) Teachers' Federation;

Mr. G.L.G. Cassidy,
New Brunswick Vocational Institute;

Mr. W.B. Main,
Saint John Vocational School.

THE CHAIRMAN: Well, gentlemen, shall we come to order? Your Worship, would you care to start proceedings by presenting the brief of the city of Fredericton, which we have marked as Exhibit 19?

MAYOR WRIGHT: Thank you, Mr. Chairman.

Before I start, might I be permitted to congratulate you and your members on the honours they are receiving today in our fair city. We are very glad that this is to be the site of the honour being done them.

Upon receipt of your invitation to
express the views of the city of Fredericton concerning
the development of our city over the next few years,

the opinions of various persons administering certain of the city's affairs were sought. In particular opinions were obtained from the board of school trustees of Fredericton, the board of trustees of the Victoria public hospital, the city engineer, the director of recreation and the town planning commission. Their several reports form appendices to this submission.

The city of Fredericton, since its amalgamation with the former town of Devon, comprises an area of about 25 square miles, approximately 94 per cent of which lies on the southerly side of the Saint John river, the remainder being on the northerly side.

Although Fredericton became a city in 1848, its growth in population was slow until very recent years. The census of 1921 showed a population of 8,114; in 1941 a population of 10,062 and in 1951 a population of 16,018. From other available data it appears that at the beginning of 1955 Fredericton had a population of about 17,000. Fredericton's present population is estimated at 18,275.

The city is not favoured with any large industries but has several small industries including three shoe factories and a canoe factory and is the seat of the provincial government and the educational centre of the province. It is the hope of the city that with the growth in population the city will acquire a number of small industries

which should prove advantageous in supporting steady employment. Fredericton is the business and shopping centre for a large surrounding area comprising the town of Marysville, Barker's Point, Nashwaaksis, Lincoln and the village of Oromocto.

With a view to showing the rapid increase in population in this area information has been gathered from municipal officers as to the population at the commencement of 1955 and the estimated population at the commencement of 1956, and the number of occupied dwellings in various municipalities contiguous to Fredericton. These are set out in the following table:

<u>Municipality</u>	<u>Population</u>		<u>Occupied Dwellings</u>	
	<u>Jan. '55</u>	<u>Jan. '56</u>	<u>Jan. '55</u>	<u>Jan. '56</u>
City of Fredericton	17,000*	18,275	4,571	4,722
Town of Marysville	2,300	2,392	500	520
Nashwaaksis Local Imp. Dist.	2,261	2,341	402	422
Barker's Point Local Imp. Dist.	1,068	1,124	276	291
Parish of Lincoln	1,645	1,800	425	465
Parish of Kingsclear	755	832	195	215
Parish of New Maryland	<u>332</u>	<u>352</u>	<u>86</u>	<u>91</u>
Totals	<u>25,361*</u>	<u>27,116*</u>	<u>6,455</u>	<u>6,726</u>

* This figure does not include the Indian population estimated at 133, the permanent army estimated at 500 and the permanent R.C.M.P. estimated at 150.

When these additional figures are carried into totals it will be seen that the present population of what is locally called Greater Fredericton is in the vicinity of 28,000 and represents an increase during the past ten years probably in excess of ten thousand. It is to be noted that the population figures do not include the rapidly growing population of Oromocto some 12 miles east of Fredericton, the site of Camp Gagetown which is expected to have a civilian population in the vicinity of 10,000 within the next two or three years.

The expansion of the population of this area brings with it many problems to the city of Fredericton.

The problem of planning and providing adequate school accommodation has been a continuing problem of the board of school trustees during the past ten years. The report of the board on its present facilities and the extent and estimated cost of construction of new school buildings and school rooms during the next 5, 10, 15 and 25 year periods is contained in the board's report attached as Appendix I.

While the problem of planning construction of additional school accommodation is the function of the school board, the problem of financing them is to a large extent a problem of the city.

It will be seen from table I of Appendix I that the present indebtedness for school accommodation amounts to \$1,144,000. Within the

next 5 years construction of new buildings will call for an estimated \$950,800 and within the next 25 years about \$2,000,000.

In recent years the costs of education per pupil have substantially increased. Better qualified teachers are entitled to higher remuneration; schools now must be equipped with facilities which only a few years ago would have been regarded as luxuries; the curriculum has been lengthened and the period of schooling has been extended. These latter two factors which have brought about increased costs of education at the municipal level are the effect of the payment of family allowances to children who attend school up to the age of 16 years; and the addition of a grade 12 to the high school course. With the payment of family allowances the children remain in school until 16. Previously they would leave at 14 or 15. This means they stay one year longer in high school, which calls for increased school accommodation and an increased number of teachers.

MR. STEWART: What is the compulsory school attendance age?

MAYOR WRIGHT: Sixteen years in New Brunswick.

The city contends that the senior governments should assist the municipalities with the cost of providing an adequate education for all children. It is suggested that there should be a basic level of education established for all children

in the province and that a recommendation be made that the cost of providing basic education should be shared by the provincial government concerned with the municipality on the basis of 50 per cent each.

We recognize that in some districts this basic education would probably be all the education a child would get; but it would mean that every child in the province would certainly be given a basic level of education, and that if any municipality wished to provide higher education for children, the cost would have to be divided by some other method.

The hospital facilities of Fredericton must be expanded in the very near future. Plans for the construction of additional bed space and a much needed nurses' home have been partially developed, but the problem of financing them stands in the way of their fulfilment.

The city endorses the recommendation of the board of trustees of the Victoria public hospital that the grants in aid of construction of \$1,000 per hospital bed and \$500 per bed for nurses' homes which are presently available from both the federal and provincial governments should be increased in view of the substantial increase in construction costs since grants were fixed some 12 years ago. The report of the board of trustees as to the present hospital facilities and planned facilities is attached as Appendix II.

If I might elaborate on that, the grants in aid of \$1,000 each from the two senior governments

were established several years ago, when the cost per bed of hospital construction was in the vicinity of \$2,500 to \$3,000 per bed. That cost now is estimated at about \$15,000 per bed, when you count the ancilliary services required, such as laundry, heating plant, operating room, laboratory services and so on.

MR. GRAUER: That is for a general hospital in the city?

MAYOR WRIGHT: Yes. I believe that is conceded by the federal government as well.

THE CHAIRMAN: Is the contribution by the provincial government only \$1,000 per bed?

MAYOR WRIGHT: It is \$1,000 per bed for construction. The provision of \$500 for nurses' beds is a matching grant from the dominion and the province. I believe it has to be matched by the province to be available from the dominion. I understood at one time that this fund which was made available by the federal government was a certain fixed amount which they had established for nurses' home construction throughout Canada, and that if applications were not made in time the funds were not available.

Here we simply say that the increased cost has placed an additional heavy burden on the hospitals to provide accommodation. In this area the guaranteeing of the hospital bonds is being done by the city of Fredericton and the county of York, in which the hospital and the city are situated; and it is felt by both the city and the county that we

have nearly reached the end of our guarantee ability if we are to preserve our credit.

The report of the city engineer, Appendix III, contains a recommendation that within the next two years, owing to rapid expansion of the city's population, the city should make capital expenditures for a high level reservoir, connecting water mains, distribution mains and an additional well, at a cost of \$250,000.* A further \$100,000 will be required in the same period for construction of a domestic trunk sewer. Might I say that since this report was written we have decided that we need not only one additional well, we will need two, and that within the next two years.

The city engineer has reported that in addition to the normal expansion of the city's population, it is to be expected that another 200 families will settle within Fredericton's borders because of the development and operation of Camp Gagetown. The city engineer estimates that during the next 10 years the city will require approximately \$2 million for expansion of the several services under his jurisdiction because of the anticipated expansion of the city's population.

The cost of expansion set out in the city engineer's report does not include the cost of a sewage treatment plant which would involve the expenditure of a large sum of money owing to the fact that the city is located on both sides of the river, and may amount to \$800,000. It has been reported to us that the sewage treatment plant at

Camp Gagetown cost more than \$1 million, so we feel that our figure here is on the very conservative side. Since we are located on both sides of the river we must either build two sewage plants or else pump the sewage across the river to be treated in the one plant.

With the increase in population along the Saint John river -- that means in the province -- it is anticipated that soon there will be effective measures taken to prevent further pollution of the river from sewage.

The report of the director of recreation, Appendix IV, forecasts capital expenditures for recreational facilities during the next few years of about \$1 million and a current annual cost to the city to provide recreational services of \$75,000 to \$100,000.

As already nearly 13.5 per cent of the gross tax warrant of the city is required to service the city's debt, it is apparent that steps will have to be taken to assist this city in financing a rapid expansion.

Two further suggestions are advanced: the first that there be again made available by the senior governments a fund from which municipalities may borrow on favourable terms moneys required in financing public works, schools, hospitals and recreational facilities.

You will recall that in the late thirties, I believe in 1937, there was a sum made

available from which the municipalities could borrow at a low rate of interest. That rate I believe was 2 per cent, and this city did make use of that fund in borrowing \$200,000 for hospital construction. In 1945 that fund was withdrawn. I understand that since that time, within the last year, a sum of money has again been made available at low rates of interest, but that it is available to municipalities which have difficulties in selling their bonds. Fortunately we in this city have not yet reached that stage; but it is our contention that this money should be made available to municipalities at a low rate of interest.

MR. GUSHUE: Is that provincially or federally?

MAYOR WRIGHT: Federally.

The second suggestion is that the city will have to be put in a position to broaden its tax base. It is our contention that with the higher cost of living, people have asked for and have attained a higher scale of living. They require more services. According to the British North America Act these services, such as education and welfare, are the responsibility of the provinces. They have passed those on to the municipalities.

With the increase in services required, services which must be provided, we feel that we have not been passed a broad enough tax base to provide these services. One suggestion I have made is that perhaps the amusement tax field should be vacated by the province and be made available to the

municipalities as a part of their tax base.

THE CHAIRMAN: I suspect that that does not come within our particular terms of reference.

MAYOR WRIGHT: That is only a suggestion, sir. I thought that, too.

THE CHAIRMAN: You will have to deal with Mr. Flemming on that, or with Mr. Paterson.

MAYOR WRIGHT: Perhaps through Mr. Flemming to Mr. Paterson. It is an axiom, as you know, or at least it is being recognized now, that real estate should be expected to pay all taxes for services which benefit real estate. That would be that real estate should pay for streets, sidewalks, water, sewers, fire protection, lights, etc.; and that the other services which are required such as welfare and education -- and by welfare we mean not only looking after the indigent and those in difficulty but hospital accommodation as well -- should be supplied from some other source.

It would seem that there must either be a broader field of taxation or grants from the senior governments. We do not feel that it is our province to suggest which. The senior governments should do this, recognizing the fact that the provinces are very jealous of their prerogatives and do not like to be interfered with by the senior government at Ottawa.

Still we feel that some method should be worked out whereby perhaps money could be channeled from the federal government to the provincial government to assist the municipalities in providing these

essential services of welfare and education.

We in the city of Fredericton, as you will recognize, are in somewhat the same position as the city of Ottawa. We have here a large concentration of crown property, being held both in the right of the province and the right of the dominion. We are now enjoying a measure of relief from the federal government through their grants in lieu of taxes on real estate, but we do not enjoy such relief from the province. As you can readily see, that produces an additional burden on the city as we have to provide services such as roads, sidewalks, police protection and fire protection.

THE CHAIRMAN: Mr. Mayor, is the amount you get from the federal government roughly equivalent to what you would get if they were assessed in the ordinary way?

MAYOR WRIGHT: No, sir; at present it is about 75 per cent.

THE CHAIRMAN: And from the provincial government?

MAYOR WRIGHT: They pay the water rates. Now, Mr. Chairman, I thank you for the opportunity of appearing before you and presenting this brief.

THE CHAIRMAN: Thank you very much.

MR. GRAUER: What percentage of your present revenues would this vacating of the amusement tax field represent?

MAYOR WRIGHT: I have not the percentage.

MR. GRAUER: Approximately?

MAYOR WRIGHT: I could not give you that, because I was not able to procure from the director of taxation of the province what proportion of the amusement tax came from the city of Fredericton. So I am sorry I cannot answer that question. We do feel, however, that the amusement tax would form a very small percentage of the provincial budget. The amusement tax to a municipality such as Fredericton would represent quite a sizable proportion of our budget.

MR. GRAUER: You make reference to a desire to obtain small industries. Have you had any small industries located here?

MAYOR WRIGHT: Not of recent years. Negotiations are now under way, which we hope will amount to a small industry coming here to the city from the west. It has not yet been finalized and I do not know whether it will come about.

MR. GRAUER: Is that the type of industry which would cater chiefly to this area?

MAYOR WRIGHT: It is.

MR. GRAUER: Do you have an unemployment problem here?

MAYOR WRIGHT: At present we have none; in fact I believe we are one of the better off parts of the dominion. Nine months ago I could have told you that we were the worst in the whole of the dominion as far as unemployment went.

THE CHAIRMAN: Worse than Hamilton and Magog?

MAYOR WRIGHT: At that time according to the Bureau of Statistics we were the worst place in

Canada with respect to unemployment. That was due to seasonal factors, to the weather. Work at Camp Gagetown was supposed to go on all winter long, but the storms were so bad they had to shut down work. Those who came here from afar could not get back home; and with the closing of the cotton mill the previous year we were the worst in Canada.

MR. GRAUER: Do I understand you are not satisfied with the arrangements the federal government is making respecting Camp Gagetown, concerning schools and hospitals? For instance, I rather gather from the appendix that the federal government is willing to make a grant toward the cost of the 50 beds they wish for dependents of army personnel, but they do not include in that the cost of diagnostic treatment and that sort of thing.

MAYOR WRIGHT: I am on the trustee board of the hospital, of course, and if they make us a grant according to their figures for the additional beds, we feel that grant will cover the cost of the ancilliary services. Our complaint definitely is that as yet we have received no final figures from them, but we are not dissatisfied with the progress to date, except for the slowness.

MR. GRAUER: Then you do not know as yet whether or not you are dissatisfied?

MAYOR WRIGHT: You are quite correct, sir.

MR. STEWART: You mentioned the cost of construction per hospital bed. What is your cost of construction of schools, per room?

MAYOR WRIGHT: Could I ask my school inspector to answer that question? I am told it would be about \$32,000 per room, furnished. I think that brief will show that we feel in regard to the hospital beds that the grants cover an important share; but I also believe it is our feeling that if they paid us at \$15,000 or \$16,000 per bed that will cover the cost of the additional services required. We have no quarrel with that figure.

THE CHAIRMAN: Thank you very much indeed, Mayor Wright. It is kind of you to come here and bring this brief, which we are very happy to receive.

Now we will call on Mr. Mann and Professor Whalen to present the brief of the Atlantic Provinces Economic Council, and we will mark this brief Exhibit 20.

MR. MANN: Mr. Chairman and members of the commission, it was indeed a great pleasure to the Atlantic Provinces Economic Council when we discovered last spring that such a commission was going to be formed. That came just at the time we were organizing the council, and it seemed to work in very nicely.

I also want to thank you, on behalf of the Atlantic Provinces Economic Council, for the contribution Dr. Howland made to the economic seminar which we held here in Fredericton about the middle of September. He took a very active and helpful part, and it really was kind of him to come and of you to allow him to come.

We prepared at that time a summary of the Atlantic provinces in respect to the Canadian economy, 1867-1955, which we think may be of some help to you, and Dr. Howland has a copy of that.

This brief we have is the only one, as far as I know, that covers the region, and of course we welcome this opportunity of covering the region even in a very brief way but in a way we think is new. Probably certainly economists in the region would not think it is new, because it contains the things they knew about or about which they had some general knowledge; but to the people as a group in the region it does represent a new look at the whole economy.

Looking at it from the point of view of productivity, which I have tried to portray throughout, it seems to me that in that way we can

perhaps capture their imagination a little more.

I would just like to make a few opening remarks. They concern the fact that there is an awakening in these Atlantic provinces to the realization that the time for breakfast is nearly over, and that if they do not get down pretty soon they will not get any but will have to wait for dinner. Of course there are some people in the region, and some sections within the various areas of the region, that have not had that environment and encouragement, notably the coal mining areas in Cape Breton, who just cannot feel that way; and it is very understandable. Otherwise the region as a whole is very optimistic, and believes that something can be done.

You have all had a chance to read the brief, and I do not propose to go through it in detail. I shall only refer to the table of contents, to the opening introduction, and briefly to some of the things within it and perhaps mention a few remarks in addition, and then read the conclusions.

The spokes of the wheel of our economy are made up of many factors, like an economy anywhere; but no one will deny, I am sure, that we have a taxation problem. That taxation problem is related directly to the problem of per capita income; and the per capita income problem is related to our capital investment problem, our efficiency problem; the problem of our interrelationship with all its intricacies, and of our natural resources, including population.

So if you will look at the table of contents, we deal first of all with the resources of the Atlantic region in review; a manufacturing review; a labour force review; a regional and Canadian standard of living review. Then we move into prospects for the future; the resources of the Atlantic region; manufacturing; general; productivity and conclusions, and then at the last we give you a little bit about our organization, so you will have a ready reference to it.

This brief is presented by the Atlantic Provinces Economic Council to the royal commission on Canada's economic prospects. In the council's belief it represents the new look at the regional economy, directed essentially toward a factual analysis of human and natural resources. The implications which are drawn concerning prospects of future population growth and resource utilization are premised upon a continuation of the major disabilities, both natural and artificial, which have faced the Atlantic region since confederation.

As an agency for promoting regional co-operation, the council, organized early in 1955, possesses great potential value. It brings together interested organizations, agencies and persons who seek to discover the basic economic advantages and limitations of the Atlantic region. It seeks to understand the factual situation as it exists, and on this basis to build realistically for the future. In the belief of many, the approach in past years to Atlantic economic problems, while sincere, has often

been misguided, and traditional instances of protest and complaint, although psychologically satisfying, have been singularly ineffective when measured against the present performance of the regional economy.

In 1955 the Atlantic producers must face a world becoming increasingly conscious of productive efficiency, and a continent where higher living standards are demanded increasingly. The council is dedicated to a quest for ways and means to improve regional productivity, thereby assuring in future years a more equitable regional position vis-a-vis the national as a whole. It is fully realized that many of the opportunities within the regional economy can be implemented only through co-operative, intelligent action by regional producers and investors. Public agencies, while they are of key importance in creating an environment wherein future economic growth is practicable, cannot be accorded exclusive priority in this regard.

The data presented in this brief suggests that in almost every facet of economic life the Atlantic region falls below the average for Canada as a whole. In some areas, moreover, the gap between regional and Canadian averages is steadily widening. Because of natural handicaps, the Atlantic region can never attain the level of population and wealth of the central Canadian provinces. There is a widespread belief, however, that the Atlantic region remains too low on the scale relative to Canada as a whole.

Future improvement in the Atlantic economy will depend in large measure on the region's ability to increase its productivity. Just how regional productivity can be materially increased is a problem which, we hope, the royal commission and its staff of technical and research personnel will investigate as completely as possible. Considerably more detailed statistical information is required than is here presented. Due to the very short time available for the preparation of this brief, and due also to the fact that APEC is a very new organization, the topics under discussion have been dealt with in general terms only. Nevertheless, many interesting sides of the regional economy have emerged which will require more basic research. Other facets of the Atlantic economy not mentioned in this brief require careful study. We sincerely trust that the royal commission will give such careful study to all the topics mentioned and other facets of the Atlantic economy not mentioned. If the council can be of assistance in this respect it would be ready to render whatever help it can give.

Now we come to a review of the resources of the Atlantic region.

Population. The rate of population growth in the Atlantic region during the post-war period has been less than that for Canada as a whole. Among the four Atlantic provinces, Newfoundland and New Brunswick have had the greatest increases, while the populations of Prince Edward Island and Nova Scotia have grown more slowly.

For the Atlantic region as a whole, population increased from 1.5 million in 1946 to 1.7 million in 1954, an increase of about 14 per cent. During the same period Canada's population rose from 12.3 million to 15.2 million, an increase of about 23 per cent. These trends are reflected in a declining ratio between the Atlantic and Canadian populations. In 1946 the population of the Atlantic provinces was 12.2 per cent of Canadian population; in 1954 it had declined to 11.2 per cent of the national total.

THE CHAIRMAN: Do you wish us to interrupt as you go along, or would you rather have us wait?

MR. MANN: No, it is quite all right.

THE CHAIRMAN: On this point of population comparisons, what you have given are facts, all right. I do not know how significant they are when you take into account other facts that were pointed out to us previously; that the population density per acre or per square mile, I think it was, in Nova Scotia is about eight times that of Alberta. Surely the implication is that the population of Alberta might be expected to grow somewhat more rapidly in future than that of Nova Scotia.

That just strikes me as one of the more obvious probabilities. There is not very much you can do about it. If you think it should be otherwise, then I should think the standard of living in Nova Scotia would be inclined to fall in relation to that of Alberta.

MR. MANN: Well, you see, sir, this is

a review, and this simply states a fact. We have no particular quarrel with it, provided those who are here in the future will produce more and raise their standard of living. I have no desire to take an hour and a half if I want to go down town.

THE CHAIRMAN: You think you have some advantages living here?

MR. MANN: That is right.

Natural resources. The economic history of the Atlantic region indicates a traditional dependence on the exploitation of primary resources of land, forest, sea and minerals. This remains substantially true today, although in some sectors a greater measure of raw resource processing has been successfully achieved.

There were 63,709 occupied farms in the Atlantic provinces in 1951, averaging 113 acres in size. In the same year Canada had 623,091 occupied farms, averaging 279 acres per farm.

THE CHAIRMAN: That national average would be swollen by the large farms out west, of course.

MR. MANN: Quite so.

THE CHAIRMAN: It is really an entirely different type of operation, is it not?

MR. MANN: It is different, although what we believe and we are very sure it is so is that the average size of our farm is too small to be economical.

Prince Edward Island has in general made progress since 1946 in expanding physical agricultural

output. New Brunswick has achieved some over-all gain in farm production but in three of the last four years under review has not attained the volume reached in the immediate post-war years. Nova Scotia has fallen below the average general output level of 1935-1939 and the falling off in the last four years is particularly noticeable.

In that regard I think it should be pointed out particularly that these figures represent a 1935-1939 base, and do not take into account the change in our agricultural production. Nova Scotia is by no means as badly off as it is indicated here. I really think it is up. They changed their economy from one thing to another, and as far as the press are concerned I hope they will not play this figure up as against the total dollar volume, which is rather a different story.

The forest resources of the Atlantic region are of prime economic importance. Indeed, the greatest single source of regional income, in the manufacturing sector, accrues from the processing of forest resources. During the period 1949-1952 the average rate of wood utilization in the Atlantic region has exceeded 450 million cubic feet annually.

THE CHAIRMAN: Just on that point, according to your table in 1952 you say that in the Atlantic region the forest production represented .6 per cent of the total quantity for all Canada, whereas the value represented 14.6 per cent. Is that correct?

MR. MANN: That is right, sir.

THE CHAIRMAN: Surely that cannot be correct. I am sure you are very efficient, but you could not be that efficient. I do not believe that is possible. Perhaps it is.

MR. MANN: We shall take that into account. As far as I know it is right. Everything here is right as far as I know, but thank you for your comment.

THE CHAIRMAN: It would imply that the people of the Atlantic region in the forest industry are many times as productive as anywhere else.

MR. MANN: Not necessarily; but it would indicate that they were more productive.

(Later)

PROFESSOR WHALEN: I have an answer to the question you asked. One of my researchers made a mistake and took the actual value figure for the quantity figure. That accounts for the very queer percentage relationship.

THE CHAIRMAN: We were prepared to accept the fact that you were efficient, but questioned whether you were forty times as efficient as any other part of Canada.

(Continuing)

MR. MANN: Fisheries. The fishing industry is of importance in each of the Atlantic provinces. As we should expect, Newfoundland is the major producer, with an annual catch of slightly less

than the three maritime provinces. In 1953 fish production, that is landed catch, in the maritimes and Newfoundland was 1,081.5 million pounds, or about 61 per cent of the national catch.

The fishing industry is at present in the process of great change. Mechanization, concentration, new techniques of handling, storing and processing are certain to have a revolutionary impact on this old industry.

Mining. In base metals the Atlantic provinces are rich in iron ore, lead, zinc and copper, and in industrial minerals are rich in coal, limestone, gypsum and salt. Fluorspar, barite and other minerals are available in lesser quantities. The coal deposits of Nova Scotia are extensive and of high quality; New Brunswick deposits are limited and, in general, of poorer quality. Newfoundland possesses rich deposits of iron ore and base metals and some fluorspar. New Brunswick now possesses proven deposits of lead, zinc, silver and copper in commercial quantity and quality.

The Atlantic region produced in 1953 about 42 per cent of the nation's iron ore, 12 per cent of its salt, 44 per cent of its coal and 84 per cent of its gypsum and virtually all the barite.

I now deal with a manufacturing review. At the bottom of page 6 there is a table which illustrates the position of the Atlantic manufacturing industries relative to Canadian manufacturing industries. In this region, during the period 1945-1952, secondary industry employed about 5.2 per cent of the

national manufacturing labour force, and accounted for approximately 4.5 per cent of Canada's gross value of production.

The principal industries of the Atlantic region are pulp and paper, fish processing, sawmilling and primary iron and steel. Other important operations include railway rolling stock, shipbuilding and ship repairs, woodworking (sash and door frames), and dairy products (butter and cheese). In 1952 the region's most important industry was pulp and paper with shipments valued at \$169.1 million. Next in importance was fish processing with factory shipments valued at \$72.4 million. Then followed sawmills (\$45.3 million), and primary iron and steel (\$40.5 million). These four groups of industries accounted for about 44 per cent of the total manufacturing production of the region.

Labour force - review. In August, 1954, the labour force, including those in agriculture, of the Atlantic provinces was 521,000, or about 9.3 per cent of the total Canadian labour force. During the post-war period the labour force of the three maritime provinces only remained stable at just over 400,000. The Canadian labour force moved slowly upward from about 5 million in 1946 to 5.6 million in 1954. The total non-agricultural labour force of the Atlantic region averaged about 450,000 during the years 1950-54, or about 10 per cent of the Canadian non-agricultural labour force.

MR. STEWART: Might I ask a question on this section, particularly with reference to the

statement --

"During the period under review the non-agricultural labour force of the Atlantic region appears to have less upward flexibility than the Canadian non-agricultural labour force."

I am wondering what is the precise meaning of that statement, because just before that you say:

"The Canadian labour force moved slowly upward from about 5 million in 1946 to 5.6 million in 1954."

My quick arithmetic suggests that is an increase of 24.3 per cent. Non-agricultural employment in the Atlantic region increased from 336,000 to 461,000, and I think that is a 37 per cent increase. So the statistics would seem to suggest that non-agricultural labour in the maritimes had a greater upward flexibility.

MR. MANN: I am not sure, but it seems to me that Newfoundland was not considered in the beginning, but was taken into consideration in the latter part. Perhaps that is how it comes about.

MR. GUSHUE: You bring in over 100,000 people there.

PROFESSOR WHALEN: That is what I intended, I think. I was looking at the maritime development in relation to the Canadian development, and perhaps I should have indicated that.

MR. MANN: We found it a little confusing, as you have found it, when we start back in 1946 in

some circumstances and in 1949 in others. We brought Newfoundland into it, or they brought us into it, during that time.

THE CHAIRMAN: They should have brought us in much earlier.

MR. MANN: Yes, of course they should.

Regional and Canadian standards of living -- review. These figures indicate that in all four Atlantic provinces, personal income per capita was much below the national average in 1949. They also reveal that during the period the rate of increase in the three maritime provinces, exclusive of Newfoundland, continued to be less than for Canada as a whole; and while the increase in Newfoundland was well above the Canadian average, the per capita income of that province was little more than half that of the Canadian figure.

THE CHAIRMAN: I would like to comment on this table, which we have seen before in other presentations. I am not disputing the accuracy of it or anything like that; but you said a minute ago that one of the pleasures of moving back to this part of the world was that it did not take you an hour and a half to get to work in the morning. It seems to me from the two weeks we have had in the Atlantic region that there are many other satisfactions which people do not have in the larger centres which are not reflected in this kind of a statistical comparison.

I think it is also true that if you had a similar comparison of income statistics in, say, the

province of Ontario, broken down by industrial classifications, you would find the same wide disparities. As somebody suggested yesterday, I think, the automobile workers probably get a fairly high average income, while people in farming or in textiles get a relatively low income by comparison. My only point is that I think these statistics are interesting, but I do not think they should be worked to death.

MR. MANN: I quite agree with you, that you should take them for what they are worth, and of course that is exactly what you will do.

On the other hand I know you could take the Georgian bay area, and if anything you could draw a graph for that region and make it lower than here. I realize that, and I also realize that you could take a curve of the Halifax area or the Fredericton area and play it against the coast over here and you would have a wide difference. So it is all general, and we are talking about a region and trying to build up the level of per capita income in that region. That is our job; that is the job of the Atlantic Provinces Economic Council, and I feel it should be the job of everyone who lives here.

MR. LUSSIER: But you admit that personal income per capita is not an exact measure of the standard of living?

MR. MANN: I admit that it is not an exact measure of the standard of living. It is an indication of the standard of living.

THE CHAIRMAN: Some indication.

MR. MANN: Yes; if we are to attempt to improve and if we are to express opinions, we must have some facts to fall back on and to rely upon, to show our people what can be done. So this is a very good one.

MR. STEWART: I do not want to thrash this thing anymore, either, but if you took the 1954 figures -- and they are available -- they would show a different statistical picture.

MR. MANN: Yes, I am sure they would.

MR. STEWART: They would show that in fact the percentage increase in per capita personal income in the maritimes had gone up more rapidly between 1949 and 1954 than for Canada as a whole.

MR. MANN: I am sorry I did not have those.

MR. STEWART: The reason for that, of course, is that the per capita income in Canada fell in 1953 to 1954, largely because reduced incomes in the prairie region.

MR. MANN: That is so; but the trend is there.

MR. STEWART: I suggest that it is a pretty significant trend in the maritimes in the last few years, even in relation to the rest of the country.

MR. MANN: In working out all these problems, trying to draw a trend line from this year to the next year in agricultural production and labour

employment and so on, you get wide variations, but you can see the way it is moving generally. If you do not go back a number of years; if you are going to draw little lines, there will be changes. That is what I notice, at any rate.

MR. GRAUER: Your basic concern is the possibilities of the Atlantic region in relation to Atlantic resources.

MR. MANN: Yes, that is so.

We have a table which shows that during the years 1949-1954, total business investment in the Atlantic region, on a per capita basis, was only 48 per cent of Canadian business investment. Regional per capita investment in housing, during the same period, was about 52 per cent of the Canadian average.

THE CHAIRMAN: One of the reasons being that most of the foreign investment occurred in other parts of Canada.

MR. MANN: Yes.

The regional per capita investment of institutions and governments more nearly approximated the national per capita figures. Total regional per capita investment, however, remained at about 52 per cent of Canadian per capita investment during the period under review.

An inescapable conclusion emerges from this data: that the level of living standards measured in monetary terms, and the rate of economic growth during the post-war period in the Atlantic provinces, have been much below those of Canada as a whole.

The resources of the Atlantic region -- prospects. Here we get into what the future holds in store. On the assumption that the labour force-population ratio remains at 30 per cent until 1961, and declines to 28 per cent in 1971, the estimated labour force in the Atlantic provinces would be about 591,000 in 1961 and 641,000 in 1971. Thus, in the years ahead, economic growth in the Atlantic region must proceed at a pace sufficient to absorb this estimated increase in the labour force.

You can see from these figures that we have not tried to visualize as large an expansion in the region as some of the provincial governments have done. We may be wrong; I hope we are. On the other hand it seemed to us that from these trend lines we were talking about, this might be what you would expect, given some added force and impetus; but here again, in line with the comments you made, Mr. Chairman, we still believe we are going to get along all right even though that ratio drops from 30 to 28 per cent. The same thing is true in the New England states, if you have read the reports on their prospects. They know the west has opened up --

THE CHAIRMAN: And we are stuck with the west.

MR. MANN: That is right.

These estimates, it should be pointed out, rest completely upon the projection of past trends concerning national and regional population

and its distribution, and the ratio of the regional labour force to regional population. The labour force which it is estimated must be accommodated in 1971 is therefore computed on the assumption that the present outflow of regional labour and population will continue in future at roughly the same rate. It is the hope, and in fact the earnest endeavour, of the Atlantic Provinces Economic Council to aid in the improvement and development of our regional economy and therefore to assist in slowing down and eventually bringing a halt to this trend. I think Newfoundland has been able to almost halt it during the last few years, when they embarked upon a very heavy industrial economy, relatively speaking, and kept a lot of people employed.

I do not think I need read the section on agriculture. Mr. Arsenault dealt with it yesterday, and pointed out to you the facts as they exist on the farms.

Taken as a whole, the Atlantic region is far from self-sufficient agriculturally. Only in a few select cases has there been successful marketing of agricultural commodities in external and foreign markets: apples, for example, in Nova Scotia, and potatoes in both New Brunswick and Prince Edward Island. There are a few others, but these are the principal ones.

Even if the Atlantic region becomes reasonably self-sufficient in agriculture by 1971, it is questionable whether a larger number of workers

engaged in primary operations would be required. What is most needed, on the production side, is a consolidation of small inefficient units into farms of an economic scale with adequate mechanization. Such a readjustment, however, will not be achieved unless progress is made on the marketing side. Here the requirement is the creation, in many areas, of organized market outlets for the disposition of produce in concentrated volume. Given progress on the marketing side, increased efficiency in agricultural production must be achieved in future without substantial increase in the present agricultural labour force.

THE CHAIRMAN: Would one of the objectives of your council be to encourage such marketing outlets?

MR. MANN: The formation of such outlets.

THE CHAIRMAN: That is part of your job?

MR. MANN: Oh, yes.

THE CHAIRMAN: I do not mean personally, but the council as a whole will take this on and see what it can do?

MR. MANN: Oh, absolutely; in fact in the field of agriculture it seems the most logical thing to do right away. It is hard to understand why it is not done. That is the tough one, knowing these things since the days of the Duncan commission, when they were described almost exactly as though they had been written this morning.

THE CHAIRMAN: Perhaps you are the catalyst that is needed to bring that about.

MR. MANN: I think the council could be.

MR. GUSHUE: You mention potatoes in New Brunswick and Prince Edward Island in the same breath. Would you think --

MR. MANN: You mean a marketing organization to handle the whole district? Oh, no. That is up to private enterprise to the extent that it covers sections within the provinces. We do not think we should have an Atlantic provinces marketing board for apples or for potatoes.

MR. GUSHUE: Not even as an advisory board?

MR. MANN: That is a good question. I do not know. I know we should have more marketing outlets, merchandizing people around selling our products.

MR. GUSHUE: Selling Nova Scotia
at
products, rather than looking/it from the larger
area?

MR. MANN: Yes.

MR. GRAUER: Do you have any trend at all in parts of this Atlantic area of people retiring to small farms who do not intend to be farmers, in the sense of a younger family settling on a farm? I mean people who just want a place as a headquarters, who might grow a few things and who probably would be classified as farmers. There is quite a trend in that direction in British Columbia, and I was wondering

whether there was anything like it here?

MR. MANN: Yes, there is a small movement, but I do not think it is of sufficient magnitude to have any real effect on the statistics as we know them. You see, this is the oldest region in Canada, and when the settlers came here in the beginning they settled just anywhere. There was no planned settlement programme for them; they just said, "That is your land." It might be a pile of rocks or it might be good land. Their children and their children's children kept it for years; finally, today, they are up against the problem of how to make a living and a lot of those farms had to be disbanded.

Forestry. In many respects the prospects of forest production in the Atlantic region are hopeful. Given a continued high world demand for forest products, a greater portion of the region's unused forest potential could be exploited. It is authoritatively estimated that the Atlantic region possesses approximately 30 million forested acres, of which one-half are in New Brunswick, and one-quarter each in Nova Scotia and Newfoundland.

THE CHAIRMAN: Does that include Labrador?

MR. GUSHUE: That is what I was going to ask.

MR. MANN: Yes, it is included in this. We do not quote any reference here, but we are pretty sure that is correct.

The report of the Newfoundland royal

commission on forestry has revealed that there is a supply of wood in that province sufficient to justify the immediate construction of an additional paper mill. In New Brunswick it appears that present cutting in the province is well below annual growth, and that the annual cut could be very considerably increased, perhaps doubled, perhaps more. This year the government of New Brunswick appointed a forest development commission with the task of promoting the expansion of provincial forest industries. Recent reports indicate that the Nova Scotia forest industry, while already highly developed, is capable of additional expansion.

I do not need to add anything to that. You heard Senator Hawkins and Dr. Bates give an extremely bright picture there.

THE CHAIRMAN: You referred to the United States tariff once or twice, which again would be somewhat outside our terms of reference.

MR. MANN: Well, I think you could probably say it is pretty hard for us to write a report and not include a ^{few} things that are outside your terms of reference. I do not say that facetiously, or in that sense at all, because it is so very important to us.

THE CHAIRMAN: I suppose we can appreciate the fact that United States tariff policy is one of the economic facts of life, and perhaps Canadians are going to have to accept it.

MR. MANN: Yes, but there is one thing that is interesting in that connection.

That is that although we in the Atlantic region recognize that our natural way of traffic is, or was, north and south -- we have said that anyway -- the people of New England think the same thing in many instances also. Where you have common ideas and thoughts there is hope of working out something because they seem to think the same thing as we do, and that may be some reason for pressing that sort of thing further.

MR. GUSHUE: United States tariff policy does not hit the forest industry as hard as it hits other industries. For instance, newsprint is duty free.

MR. MANN: That is right, but only newsprint. It is particularly hard on fine papers. In dollar volume, as far as we are concerned that is true, but it is not true in other respects.

Mining. The pattern of mineral production in the Atlantic region is in the process of change. Of great concern to Nova Scotia -- and to the whole region -- is the future of the coal mining industry.

The outlook for the coal industry is, to say the least, most uncertain. This is a matter of grave concern since it is estimated that at least 20 per cent of Nova Scotia's population depend either directly or indirectly on the coal industry for their livelihood.

THE CHAIRMAN: I suppose the phrase "is to say the least most uncertain" is as far as anybody

can decently go.

MR. MANN: That is what you gather from people talking about it, although it is something that has to be talked about. You cannot just say it is uncertain and let it go at that.

In addition to the base metals there are important manganese and tungsten deposits in New Brunswick. In Newfoundland there are prospects for additional base metals and the increased production of iron ore. In these areas future employment opportunities will be expanded; but it is questionable whether these advances will offset the loss of employment in the Nova Scotia coal industry. Between 1949 and 1952 employment in the Atlantic mineral industry averaged just over 19,000. There seems little reason to assume this figure will increase in the next decade.

Manufacturing - prospects. To a large extent Atlantic manufacturing, in the future as in the past, will rest upon the processing of regional primary resources. At present the processing on a large scale is in general confined to fishery and forest resources.

Of particular significance in the above list is the comparative absence of food processing. Undoubtedly much can be done in the future to develop this aspect of regional manufacturing. Some indication of the challenge in this respect may be inferred from the fact that of the 50,342,000 pounds of canned vegetables consumed in the Atlantic

region in 1952, only a little more than 11,000,000 pounds were produced in the region. That simply bears out what we mentioned earlier.

Bearing in mind the future growth of the regional market and the increasing transportation charges into and out of the Atlantic region, the future implications for regional manufactures are obvious. First, increasing attention must be paid to the possibilities of the local market; and, second, more research and practical marketing experience with products of small bulk and high value, which might be able to stand the high transportation charges to external consumer markets, should prove rewarding. It must be acknowledged, however, that there are few examples of Atlantic industries operating successfully on the latter basis. You heard from Cossor in Halifax about that. They seem to be very happy about their location now.

Apart from transportation charges, proximity to the mass market has more often been the important consideration in industrial location. In a highly competitive national market effective communication and control is imperative; from this viewpoint the Atlantic region will remain at comparative disadvantage.

Recent experience, however, suggests that as transportation costs increase, a greater measure of self-sufficiency in the regional market should be possible. We do not say this because we are happy about that increase. We do not want

you to infer that. That is to say, as transportation charges rise, locally produced commodities should be able to compete in the regional market with imported goods. If this is true, national concerns will wish to establish regional processing and distribution centres in these provinces; and, for similar reasons, there should be greater scope for local enterprises.

Transportation is obviously a major obstacle to the development of Atlantic manufacturing. Transportation had its full discussion. Premier Flemming mentioned it as a problem; the premier of Nova Scotia mentioned it, and certainly Premier Matheson mentioned it also. What we are going to do about it is something else. If it is to be regarded as at all possible of solution, then we suggest that the solution of the transportation problem, national in scope and with its tremendous implications, should be viewed in the light of a national transportation policy which gives each region the greatest opportunity to contribute and receive an equitable share of the nation's economic prospects. Therefore a national transportation policy might well be based, we suggest, on a premise that transportation facilities and charges are, as far as possible, to be determined and assessed so as to exert a constant corrective and equalizing force for the benefit of those regions that are in economic imbalance with the nation as a whole.

What does that mean? I know you are going to ask me that so I say it first. Perhaps I am just trying to explain it a little bit. Everybody

says we have a transportation problem. They ask what you are going to do about it, and nobody has the answer. From the time of confederation up to the present, transportation and transportation services have created problems all across our nation. Those problems are growing; they are not getting any less.

At one time we had only rail and water transportation. Now we have road and air transportation as well. From a national point of view I would not like to say that I believe definitely the problem can be solved, but I think that nationally it should be studied, and if possible studied from this point of view, because if there is any point of view from which you can try to bring about a balance as between the various regions economically, perhaps the transportation side is one place you might try to do it.

Whether or not it can be done is something else again, but certainly that is what we suggest, and we look at it from that point of view.

Just what the effect of the St. Lawrence seaway project will have on the economy of the Atlantic region has not been clearly assessed. Undoubtedly it will bring some advantages as well as disadvantages. If the present monetary exchange limitations are relaxed improvement in international trade should result and the Atlantic provinces should benefit economically. Within the region, increased transportation activity should develop by road and air but to what extent and how quickly is difficult to assess.

I am not aware of whether or not there are sufferance warehouses in Ontario, but certainly the establishment of sufferance warehouses here for truck transportation, to co-ordinate the road transportation facilities with the rail transportation, and so on, is urgently required. I realize it more and more as I go and talk to these people who are in these fields. Sure, private enterprise is in it. They buy their trucks; they try to compete with the railways, or they put in lower rates.

It is a little different problem here than in the larger centres, but in some ways I think it is the responsibility of our governments to take a look at this whole transportation system, both regionally and nationally, to help these people, because it is getting more confused as time goes on. The people in the trucking industry certainly tell you that.

The effect of tariffs on the economic health of the Atlantic region has been frequently underestimated.

Finally, a major central consideration in the prospects of secondary industrial development in this region is both the availability and cost of electric energy. Large blocks of relatively cheap power will be required if the forest resources of the region are to be more fully utilized. Similarly, if any considerable development in the mining industry takes place, additional quantities of electric energy will be needed. For the Atlantic

region as a whole, present indications are that there is a reasonable excess of electric power generating capacity over and above the demand; but any large reserve of power to meet the requirements of extensive new development would require the construction of additional generating facilities. As previously stated, it is reliably reported that this requirement can be met satisfactorily.

THE CHAIRMAN: That last statement is certainly one I would like you to expand. Perhaps you do in the next paragraph. Carry on.

MR. MANN: At least two Atlantic provinces, Newfoundland and New Brunswick, possess potential hydro resources capable of extensive development. In the former province, the famous Hamilton Falls in Labrador, with an estimated capacity of over 5 million horsepower, and a number of hydro sites on the island itself, assure ample power reserves for future development. In New Brunswick a greatly increased supply of electric power could be made available by the exploitation of the full potential of the Saint John river. A report published in 1954 by the International Joint Commission, estimates that the river could produce economically upwards of 700,000 horsepower, of which over half could be obtained from sites located on the Canadian side of the border in New Brunswick. The first step in developing this electric power potential is now under way. The Beechwood project, located about 100 miles above Fredericton, will ultimately have a

generating capacity of 135,000 horsepower and will cost approximately \$50 million.

From the point of view of existing electric power facilities, much can be done to bring about improvements. I think this particular paragraph is of interest. As a matter of fact the statements made on power, although they have been well known for a long time by the people who have made them, really are reaching the public now. What we are interested in is changing the public's mind to an absolute knowledge that power for our present needs here is sufficient. It is not sufficient for our future needs; but everyone was saying that we did not have enough power; that we could not get going because there was not enough power. As a result of the work of our committee on power under Reg. Tweeddale, who spoke to you yesterday, we are pointing this out now, and we have determined a few other things which are included in this paragraph.

APEC's power committee in its preliminary investigation into the improvement that would result from interconnected systems throughout the region and possibly with the province of Quebec and the state of Maine suggested that the result would bring about greater efficiency and in the end tend to lower present electric power costs. The integration of our thermal and hydro plants would also provide for more efficient operation. The possibilities for the region in the use of atomic

power in generating electric power are of course interesting in as much as it would make our position, electric power-wise, competitive with other regions in Canada using atomic power as a source of energy.

MR. GRAUER: I gathered yesterday that the really efficient use of the Saint John river depended upon the creation of storage in the state of Maine.

MR. MANN: Not altogether; to a large extent, but there are still power resources on the Saint John river which do not have to take into account the co-operation of the state of Maine.

MR. GRAUER: If you take the run of the river, which is the alternative, I believe you are then faced with a considerable variation in flow, depending on rainfall, snowfall and so on; how fast the water runs off and that sort of thing. Therefore you have to prepare for the worst possible situation, because it is no good to industry to have power nine years and be without it the tenth year. So if you have to put in steam plants to give you that stand-by capacity, you usually do not keep your cheap power. Here in this example which is given the plant will ultimately have a capacity of 135,000 horsepower. I suppose "ultimately" means when further storage is developed.

MR. MANN: No. They are developing this resource in steps. The definitely planned capacity is 135,000 horsepower. The first two units will be put in and set up and then the third one will

be put in, bringing it up to 135,000.

MR. GRAUER: In any case, with the ultimate development that works out at \$370 per horsepower, which is not cheap power. Presumably this is the best development on the river. It is not cheap power if you are talking in terms of Ontario hydro and Quebec hydro.

MR. MANN: I do not know whether the \$50 million is charged against the actual construction of the plant. It may be. I do know they expect to be able to sell power in close proximity to 6 mills.

MR. GRAUER: I think that would be possible, to sell it in the neighbourhood of 6 mills.

MR. MANN: Well, I doubt very much -- and I do not want to be quoted at all; this has nothing to do with the basic policy -- if you ever get power for less than 6 mills.

MR. GRAUER: This idea of integration with Quebec and Maine is interesting. Has anything been done along those lines?

MR. MANN: Mr. Tweeddale has been talking to the state of Maine authorities and keeping in touch with them. Up until recently the state of Maine was not even allowed to deal with the subject under its existing legislation, but that was changed during the past year, so that now the opportunity is presented to deal with them in making a grid system that might exist say from Cape Breton to California and British Columbia.

MR. GRAUER: It seems to me that this is

somewhat of a case in point; that if you compare New Brunswick with say Ontario or Quebec this power would be regarded as quite high cost, but if you take the situation internally, within New Brunswick, apparently 6 mill power meets the needs. So the comparative approach here would lead you to a wrong conclusion.

The approach here is that you have this potential on the Saint John river, and that even with concurrent development of steam power you have obtained a result that apparently satisfies the mining people and others who require power; at least you seem to feel you can quote a rate which will satisfy them. That is fine if that all works out, but it is approaching the problem on the basis of what is happening in New Brunswick, not on the basis of what is happening somewhere else.

MR. MANN: It may appear here that that is how it is presented, and I am sorry if that is so. We have tried to show -- perhaps not here -- that we are attempting to develop power to be sold at the lowest possible price, and we know from statistics we obtain that the cost of power in this region is no higher than the cost of power in many regions in the eastern New England states, in certain regions throughout Canada and in many other regions of the United States. We know we cannot ever compete with a power development like that on the Saguenay, or out in British Columbia; but as time goes on those hydro resources are going

to be used up. People are talking about atomic power; and as we know, from figures calculated by some of the experts, atomic power is quoted at 7 or 8 mills. They may get it down below that, but people are talking of atomic power for the nation, and that is why we are talking in that way.

General -- natural resources. What the future holds in store for the region from natural resources not now known lies of course in the field of conjecture. Modern technology used in the search for nature's wealth has played an important part in the development of Canada's mineral, oil and other resources. This region has received some attention along this line but actually far too little has been done. Oil development, for example, in the gulf of Mexico has in recent years proven the value of undertaking such a problem. Some geologists have for years expressed the belief that the gulf of St. Lawrence could very well cover great resources of oil. At the present time at least one major company is interested in further exploration along the border of the gulf.

That is interesting. I have been interested in the possibilities and the prospects of oil here, because of its implications. I think most people have been interested; and the recent geological work done in Prince Edward Island has brought out some very interesting things. Interesting in itself is the fact that Imperial Oil were ready to go in there and do some work. How much they

are prepared to spend I do not know, but I have every reason to believe that other companies will try to get in there too, and if I were a gambling man I would bet on it.

MR. GRAUER: If you can get one in the others will go in too.

MR. MANN: There is another thing which has not been mentioned particularly. As a potential in our natural resources we have millions and billions of tons of anhydrate, a very important material for the future. It has been produced and used in the old country, and this country has billions of tons of it.

Another thing we have here in large quantities that could very well be developed is fresh water. As you fly over the area you see scads of lakes, and those could be pretty important in the years ahead.

THE CHAIRMAN: One of Canada's greatest natural resources, I suppose.

MR. MANN: And one of ours.

Productivity. Due to the lack of adequate statistics, it is usually difficult or impossible to measure the different aspects of productivity. In particular, regional productivity estimates are likely to confuse and obscure, since they contain many different variations concealed within the broad regional averages. However, some attempts have been made to measure certain aspects of productivity in the Atlantic region. The council

presents this data with the full knowledge that it is incomplete, and that many problems of interpretation will arise. But the importance of productivity to the Atlantic economy prompts the inclusion of the following data; and the council trusts that in its investigations the commission will give adequate attention to this important sector. The council for this brief has found statistics on only a few of the many activities engaged in within the region than can be used to illustrate the point.

There is, with some exceptions, little efficiency in Atlantic agricultural production. The low capitalization per farm, small size of the average farm, and lack of mechanization and equipment suggest the need for much needed improvements. It is estimated that under present techniques of production a specialized one-man dairy farm requires a minimum of 18 or more milk cows, while a unit devoted to mixed farming should have a minimum of 13 milk cows.

This table suggests that in Prince Edward Island, Nova Scotia and New Brunswick the number of milk cows, two years old or more, per farm, is distributed in the following way. Farms having from one to seven cows constituted 87.2 per cent, 85.9 per cent and 86.1 per cent in these provinces respectively. Farms having from 8 to 12 cows constituted 10.8 per cent, 9.4 per cent and 9.1 per cent respectively, while those having from 13 to 17 cows constituted only 1.4 per cent, 2.9 per cent and 2.6 per cent respectively.

That is given as a most important example of what is necessary. It points out in a glaring manner the situation as it exists, and we feel that not only in this particular instance but in other instances within our agricultural economy the great need exists to improve the productivity of the farms so the farmers can have a better standard of living. You only need to go through the outlying areas to see what I am talking about.

Whether you can ever get the farmers to do anything about it, or find the facilities to provide sufficient capital to help them to do something about it, is a job which we of the council, and certainly other agencies, must do our very best to help with.

Before I come to the conclusions I would like to say just a word about statistics. We have talked quite a lot here about statistics, and there has been a great demand in this region for a more comprehensive analysis of the import-export problem; a statistical analysis on a regional basis, with the provinces first doing what should be done on a provincial basis. I noticed that in the brief of the government of Nova Scotia they suggested that it might come to a regional basis, and I was very happy that that was brought out.

That is not the case with us. That will cost a great deal of our money, and what the council are doing is trying to tackle the problem

of statistics by starting with little sectors of the economy and trying to see what we can do about analyzing the statistics in those particular fields.

I think at Ottawa, in the Dominion Bureau of Statistics, they are very sympathetic to us, but any assistance or help this commission feels they can give us in that regard, as to what should be done and how it should be done in regard to the possibilities and prospects for the future, we would certainly welcome.

Conclusion. The analysis of the prospects of resources development in the Atlantic region indicated that the greatest and future possibilities for employment lie in forest primary operations, and in agricultural, fish and wood processing. Given favourable external markets for these products in the years ahead, and with a favourable power supply, progress can and should be made to increase regional employment in these sectors. For the region as a whole, the future absorptive capacity of primary agricultural, fishing and mining operations does not appear too hopeful -- although, for particular provinces like Newfoundland and New Brunswick increases should be possible in the years ahead. Assuming continued high levels of income and employment in Canada and in the United States, stability in foreign markets, and increased managerial efficiency in the Atlantic region, the Atlantic economy should provide sufficient increase in the regional labour force.

But if the region is to advance economically in relation to Canada -- if, in a word, the regional trend of population outflow is to be reduced, and eventually stopped -- major changes in international tariff policies and national tariff and transportation policies will be required, along with more aggressive public and private resource development programmes. And if, as was suggested earlier, Atlantic manufacturers succeed in supplying the regional market, sufficient employment opportunities should be created to accommodate estimated future growth of the labour force.

That concludes my brief. Thank you.

I would like to mention one little point. As I said in the beginning, I have given a short statement here in connection with the Atlantic Provinces Economic Council and its organization. The last paragraph deals particularly with what we would like to do in the future. We are young; we are new; we are just getting started. We have four committees that really provided enough work for the staff of the council without taking on added responsibilities; yet I know there are other things which are important and which should be done, and we are going to try to do them.

Thank you very much.

THE CHAIRMAN: Thank you, Mr. Mann, first of all for a very excellent brief, and second for letting us have a draft of it ahead of

time, which was a great help to us. Finally I would like to congratulate you on the way you presented it. I think it was very well done. It seems to us that the creation of the Atlantic Provinces Economic Council is an imaginative and enterprising idea, and we will wish you the very best of luck in the work you have taken on.

--- Recess.

--- After recess.

THE CHAIRMAN: Is Mr. Smith, the trade commissioner for the city of Saint John present?

MR. SMITH: Yes, Mr. Chairman. Perhaps I might very shortly introduce myself, Mr. Chairman and gentlemen, as the industrial and port commissioner of greater Saint John, and I have been requested by the mayor of Saint John to present you with a short introductory brief.

This brief is not at all complete, and I would like to present you with a few of the reasons for its incompleteness. In the first place we would like very much to bring into the final brief several findings which are of very recent date. One of the most important among those is the report of a conference of producers and consumers which was recently held in the city of Saint John on the initiative of the Board of Trade, which report was only published the day before yesterday. That, I think, will explain why we have not been able to include it in our brief.

If I may, I should like to take a moment to say that of course we are very much concerned with the problem of agriculture in the province of New Brunswick. We find, for one thing, that in the table produce season the province of New Brunswick imports 180 carloads of table produce from outside; from Quebec and Ontario, and citrus fruits from Florida.

That single fact was sufficient to start

us thinking about such contributions as we might be able to make in the city of Saint John to help along a movement which could eventually increase the production of table produce in our own province.

This is the third convention or conference which has been held on our initiative. It was extremely well attended. It developed into a forum session, a workshop meeting; and, as I say, the results are not yet all available.

There are other matters which will be gone into when our brief is completed, which will be within the next few weeks, such as our feeling that there should be a magnetometer survey of the southern part of the province in connection with a possible mining development. You heard a very very remarkable address yesterday by Mr. Udd and Dr. Boylen in connection with mining developments here. You may be conversant with the fact that the magnetometer survey, which was the first incentive to the mining development in the northern part of the province, has not yet been extended to the southern portion.

The result is that we are pressing to get this survey made, on the assumption that we may well find a comparable body of base metals in the southern part of the province. We feel that when the complete magnetometer survey of the province has been made, then and only then we shall be able to do some logical thinking about the place for the future smelter or smelters.

Another item we would like to bring into our brief is the result of the planning of several industrial areas in greater Saint John, on which, incidentally, there will be a final meeting only to-night. You are, of course, fully aware of the recent trend of decentralization in industry, and its desire to get out of high wage areas and uncertain consumer markets, which could certainly benefit our own area, as is evidenced by a fair number of inquiries we have received in connection with the establishment of new branch plants.

It may also interest you to learn that in connection with this plan of complete industrial areas in greater Saint John, we shall apply to the provincial government in the near future for the provisional reservation of a fairly large block of power.

That is by way of introduction, Mr. Chairman, and here is the very short introductory brief, which may be changed a little as to detail and certainly will be very much enlarged, because it only deals with the point of view of the City Hall, as far as Saint John and the city of Lancaster are concerned.

In beginning this brief I believe the idea is to state the immediate past and present condition of the city of Saint John and outlines for the future.

As regards the past, this may be very brief. The area in Saint John is divided into three districts or boroughs -- the city of Saint John

proper, the city of Lancaster and the borough of Simonds. The city of Saint John is quoted at present as having a population of 55,000 and is probably more in the line of 60,000. The city of Lancaster is quoted as having 10,000 and this with the recent additions would probably make up one or two thousand more. The same condition holds good with Simonds which has also a population of about 10,000; altogether the metropolitan area would, I should judge, have somewhere in and around 75,000 people.

The present condition more particularly as regards needs are those of more industrial development, more slum-clearance and housing facilities and the need for more housing propositions for medium-class type of living. As regards (1) industrial development, we are dependent on a few major ones, namely: Irving Pulp and Paper Mill on the Saint John river in Lancaster, the Atlantic Sugar Refineries in the southern part of Saint John, T. McAvity and Sons, Saint John Iron and Brass Works and in East Saint John, the Saint John Drydock Company. In addition there are a number of auto distributing buildings such as Lawsons, Clarks, International Motors. There is quite a list of smaller branches of building such as the Canadian General Electric, Northern Electric, and so on. Two large stores have been built, namely Simpsons-Sears and Sobey's and another one is soon to be started, namely, another branch of the Dominion Stores, which is the third one in their set-up here.

In future prospects there have been a number of contacts made with various industrial sources which have displayed an interest in setting up branches here. The latest development is that the council have called for folio maps of the whole area so that on inquiries for sites from various firms the council may be able at once to know the possible location and size of available areas. The trade commissioner of the city, Mr. H. Herlof Smith, has been keeping close contact with various developments and planned developments here and has a complete list of such information.

As regards activities and future planning for the city, it would seem feasible and we have conducted somewhat of a five-year plan, or a progressive plan at any rate. As the term of office of the council is only two years, a five-year guarantee can hardly be made, although it is hoped that succeeding councils will carry on as we have started. The major progress that has been made has been the laying out and building of a new road from Millidgeville on the Kennebecasis following the Kennebecasis river for a couple of miles and opening up of lots so as to afford an area of scenic interest and one suitable for the erection of a special type of house, say from \$25,000 up. The area lends itself especially to this type of building, somewhat approaching the nature of Marine drive in Vancouver. It is intended to carry this road further along the Kennebecasis to Drury Cove, another

2½ miles, and this will open up further high class building areas and will tie in with the road to Rothesay, Hampton, Moncton, or the entire No. 2 highway.

Now the great drawback in Saint John is the traffic and transportation condition. There is only one entrance and one exit on either side of the city. On the western approach there is a bridge that is nearly 50 years old and it is in no way suited now for the heavy type of traffic that goes over it. At the eastern extremity of the city there is a short flat type of bridge which has to carry all traffic over it. Although we have greatly improved traffic conditions in the past year with the establishment of laned traffic and the establishment of traffic lights, this is not going to suffice in any way.

Now, from every point of view, civilian traffic, tourist traffic, D.V.A. evacuation and entrance plans, and from a military standpoint, this is a hopeless situation at present. In the summertime particularly tourist and civilian traffic is becoming so great, as in all cities, that progress is difficult and with one exit and entrance it makes a bad situation. From the civil defence point of view the condition is worse because, should anything happen here, the population could not possibly be evacuated in any proper way or time. From a military point of view, with the proximity of Camp Gagetown, the only large military centre in Canada, heavy artillery, tanks

and equipment could in no way pass into or out of the city on the present means of communication.

Consequently this area should have a modern bridge at the narrowest point of the Saint John above Reversing Falls, namely at the Pokiok area, and the connecting of this with a short road to tie in with Kennebecasis drive and the completion of this drive to Drury Cove as a second means of exit from the city.

Another hope would be the establishment of a short bridge and a new road from Prince Edward street to Bayside drive -- this would cost, I understand, somewhere about \$100,000 and would be another relieving road. There is, of course, a further project of a causeway from Union street to Bayside drive across Courtenay bay which would cost at least one and a half million dollars. For any proper progress in the extension of the city and the methods of communication therewith, the new bridge, the completion of the Drury Cove tie-in and by-pass and a second road, either the supplementary ones I have mentioned or another road skirting the ridge from Rockwood Park area to Brookville and Coldbrook would be advisable.

Another project we have in mind is the establishment of a road through Rockwood Park itself tying in with the Ashburn Lake road and so to route No. 2. This would establish, we hope, an area fit for a park for trailer car parking and for tourist attraction.

The cities of Saint John and Lancaster have gradually built up the Reversing Falls Park and with the co-operation of the provincial tourist bureau have established a park and lookout that have proven a tremendous drawing card for tourists. A further extension of this is proposed and it is hoped to complete this this year. As there were 33,000 cars registered at the tourist bureau in five months of this year, it would seem that this is destined to be one of the major features or advantages of the area.

It is hoped to have the new housing scheme for a further 200 houses under way by spring. This will assist in clearing up some objectionable slum areas and will afford proper accommodation for a number of families who are at present in unsuitable dwellings.

Two improvements in the hospitals here are under way, namely the enlarging of St. Joseph's hospital to 200 beds and the enlarging of the General hospital to 650 beds. These projects should be both finished in 1957 and should pretty well take care of the hospital condition for some years. Both hospitals will have the most modern facilities and equipment that can be installed anywhere and each will be staffed by men trained in the most modern methods of treatment and research.

Altogether we feel that Saint John is progressing very nicely at the present time, but to continue this way it would be absolutely necessary to have the improvements that I have mentioned carried out.

Respectfully submitted,

Gilbert B. Peat, M.D.
Mayor.

Mr. Chairman, that is about all I would like to say on the subject of Saint John today. I shall not take more of your time now, but I would ask your indulgence to permit the city to supply a more complete brief in the near future.

THE CHAIRMAN: Thank you very much. It is nice of you to appear before us, and we shall look forward to receiving your brief in due time.

THE CHAIRMAN: The next brief will be that of the New Brunswick Council of Labour, presented by Mr. Evans, the secretary-treasurer, who I believe is here and will introduce his colleagues.

MR. EVANS: I should like to introduce Mr. Donald A. Elliott, president of the New Brunswick Council of Labour; Mr. Angus MacLeod, executive committee member and spokesman, and myself.

THE CHAIRMAN: Again I would like to thank you for sending in this brief ahead of time, which has given us a chance to read it.

MR. MacLEOD: How would you prefer to have this brief presented? Would you care to have me read it?

THE CHAIRMAN: I think so, Mr. MacLeod. It is not too long, and we shall mark it Exhibit 21. We usually encourage people to summarize the longer briefs, but yours is not particularly long, and perhaps it would be easier for you if you read it.

MR. MacLEOD: Before reading the brief, Mr. Chairman, I would like to say this. If you have read the brief you have probably noticed that we have attempted to point out conditions as they are, and have hesitated to make any direct suggestions as to how those conditions as we find them should be improved. I think that is probably beyond our scope; but we do feel that in many cases the maritime provinces have been classed as, let us say, poor cousins, and very seldom do we see any direct reference made as to why those conditions which exist outside should be applied

to the people in the maritimes.

So we have tried, probably not as fully as we should or as we could, to point out what is our exact position in comparison with the rest of Canada. Of course, being representatives of labour, when we compare, we are comparing our position in the labour field with the position of the workers in other parts of Canada. So while this is a commission to explore the future prospects of Canada, we feel that before the future is planned, probably the past should be understood and the present examined.

THE CHAIRMAN: Quite so.

MR. MacLEOD: Before making any suggestions as to how the future economy of our province can be improved, it is necessary to examine and understand our present economy in relation to the economy of Canada as a whole. To do this, a number of questions must be answered. Realizing that the terms of reference of this commission are national in scope, we realize that, due to a number of reasons, each province has its own peculiar problems which must be solved before Canada as a whole can enjoy the fullest measure of prosperity.

Have the maritime provinces as a whole, and New Brunswick in particular, shared equally with the rest of Canada in our great industrial expansion and economic prosperity? Unfortunately, the answer to this question must be no.

While primarily concerned with New Brunswick, it will be necessary from time to time to give some consideration to the maritimes as a

whole, since it is apparent that conditions prevailing in New Brunswick are prevalent in the other maritime provinces. This is also made necessary because in many instances the Dominion Bureau of Statistics and other federal departmental reports do not differentiate between the three provinces, but group them as one region.

Income. Let us briefly examine how well off the average maritimer is with the average Canadian in other sections of the dominion. In 1946, personal income per head in the maritimes was \$177 -- 22.3 per cent below the national average. In 1953, personal income per head in the maritimes was \$406 -- 33.2 per cent below the national average, or 50 per cent worse than the national average of 1946. (Dominion Bureau of Statistics national account.)

Employment and unemployment. Comparing employment figures in New Brunswick with Canada as a whole, we find that while employment figures in Canada were approximately $5\frac{1}{2}$ per cent above the 1949 figures, the employment figures in New Brunswick in 1954 were approximately 4 per cent below the figures for 1949. Based on 1946 figures, employment in Canada as a whole has increased 24 per cent. New Brunswick decreased 1 per cent.

Bad as the employment figures are, when we consider unemployment in New Brunswick and the maritimes as a whole, it will have to be admitted that the unemployment situation in these provinces is critical and appears to have become chronic. New

Brunswick with 2 per cent of the national labour force has 5 per cent of the unemployed total.

This is not a recent development, but has been, and still is, a cause of deep concern to us in the maritimes, especially in New Brunswick, for the past several years. Using the Dominion Bureau of Statistics figures of "persons without jobs and looking for work" and taking this as a percentage of supply in the labour market, we find that in 1946 the maritimes percentage averaged over 82 per cent above the national average, in 1950, 93 per cent; and in 1954, 45 per cent over the national average. The sharp drop in 1954 can readily be explained in that the national percentage grew so much worse in 1954 and the unemployment percentage in the maritimes was already so bad it was almost impossible for those percentages to grow worse, at least as fast as the national percentage.

Living standards. One phase of the situation which we, as representatives of a large number of workers and their families in this province are deeply concerned with, is the living standards of the workers in this province as compared with the living standards of Canadian workers in other provinces of the dominion.

The average wage rate in New Brunswick is at least \$7 per week lower than the Canadian average, while at the same time the workers in New Brunswick work on an average of two hours more per week. Since this brief was written that differential in wage rates has increased to \$9.30 per week. That

is as of June 1, 1955.

Taking the year 1946 as representing 100, the national index for 1954 stood at 190.9, while the index for New Brunswick had only reached 177.4. In 1946 the difference between the national average weekly wage and the average weekly wage for New Brunswick was a mere 76 cents. This gap has now widened to approximately \$9.30. (Dominion Bureau of Statistics -- man hours and hourly earnings.)

We admit that wage rates are not the only factors which determine living standards. Living costs may and do vary in different districts. It is often stated that in high wage areas the cost of living is perforce higher than in low wage areas. This is not the case. Take, for instance, one of the highest wage rate areas in Canada is Windsor, Ontario, and compare it to a somewhat comparative area, Saint John, New Brunswick. The average weekly wage rate in Windsor, Ontario, is \$74.42; in Saint John, New Brunswick, \$50.62, a difference of \$24.10. There has been some change in that, too. The difference now, according to the last report, is \$25.50.

If the former premise that high wage rates result in high living costs is true, then living costs in Windsor, Ontario, should prove to be higher than in Saint John, New Brunswick. This is not so. If we take a list of 36 essential commodities, out of these 24 will cost more in Saint John than in Windsor, 7 will be equal in price and

5 lower in price. (Labour Gazette.)

Housing. We have not mentioned rents which, of course, have to be taken into consideration when determining living costs. The housing situation in the maritimes is the worst in Canada. Saint John is the worst in the maritimes. (The 1951 census bulletin on housing.)

Actual rents paid for flats and apartments in Windsor, Ontario, may be higher than rents paid in Saint John, New Brunswick, but when the facilities in these cities are compared it is questionable if the real rent paid in Windsor, Ontario, is any higher, if as high, as the rents paid in Saint John, New Brunswick. One out of every six dwellings in Saint John is badly in need of repair and of these buildings three out of every ten are overcrowded. In Saint John 68.3 per cent have no furnace heating, 8 per cent have no running water, 14 per cent have no exclusive flush toilets, 34 per cent have no exclusive bath or shower, 75 per cent have no electric or gas range and 66 per cent have no mechanical refrigerators. To sum up, Saint John with the second lowest wage rate of any city in Canada shows the effects of these conditions by making the poorest showing in regard to owning these necessities.

We do make a comparison as far as Saint John is concerned. It would probably be interesting to know the housing conditions in the province as a whole, which shows somewhat similar

conditions. In the province as a whole, 70 per cent of the dwellings have no furnace heating; 53 per cent no flush toilets; 60 per cent no bath or shower; 45 per cent no running water; 84 per cent no electric or gas range, and 18 per cent of the dwellings are in need of major repairs. That is for the province as a whole.

In connection with the rents paid, the median rent in Windsor is \$39 for a flat or apartment, and the median rent in Saint John is \$26 per month.

Manufacturing. In 1917 there were 21,845 manufacturing establishments in Canada. By 1951 this figure had increased to 33,490, an increase of approximately 50 per cent. During the same period, manufacturing establishments in New Brunswick had increased approximately 11 per cent.

The net value of Canadian manufactured products was \$6,940,000,000. The net value of New Brunswick manufactured products was \$120,000,000, or approximately 2 per cent of the value of the total national manufactured products.

The per capita share of manufactured products in Canada as a whole in 1951 was approximately \$460, while in New Brunswick it was approximately \$233.

The net value of manufactured products in Canada in the year 1951 showed an increase of 450 per cent over the net value of manufactured products of the year 1917.

The increase in New Brunswick, comparing the

the year 1951 with/year 1917 was 340 per cent. Of this tremendous increase in the net value of Canadian manufactured products for the year 1951, compared with the year 1917, New Brunswick's share has been a mere 2 per cent. (Canada Year Book, 1954.) This is a clear indication of the industrial position of New Brunswick in comparison with Canada as a whole.

Just in passing, the manufacturing industries in Canada -- that is, what we call the comparatively large manufacturing industries in Canada, employing 500 or more -- numbered 341. In New Brunswick there were 8 industries employing 500 or more. Ontario and Quebec have 86 per cent of the industries employing 500 or more workers.

New Brunswick minerals. New Brunswick until 1952 had never had mineral production of any consequence. Discovery of zinc, copper, lead and silver near Bathurst, New Brunswick, has changed this picture. I mention, too, the tungsten mine about 100 miles outside of Fredericton. That is one of the latest discoveries of minerals in the province. It is classed as one of the largest deposits of tungsten on the North American continent.

Interest in base metal mining in New Brunswick has increased as shown by the fact that by May, 1953, over 25,000 new claims have been staked in the northern and western sections of this province. The future of these developments appear extremely promising. This is one of the few bright spots in our present economy. The full benefits of

these discoveries can only be realized if immediate action is taken not only to mine the minerals but to process them as well in New Brunswick.

While the actual mining of these minerals will supply increased employment opportunities, the number of workers employed in the mines would only be a small percentage of the number that would be given employment in smelters and refineries. It is only sensible that we demand that the natural resources of our province be utilized to the fullest extent for the benefit of our workers in this province, considering the unemployment situation that exists and has existed for years in New Brunswick, and not allow them to be exported to provide employment elsewhere at our expense. Right at the present, raw material from the mines in the Bathurst district is being shipped out of Canada for processing.

Since the discovery and development of the mineral deposits in northern New Brunswick is the direct result of an aerial survey of that section of the province made by the federal government in 1950, similar surveys of other sections of the province should be made immediately. We believe that such a survey will prove that our mineral resources are extensive. The development of these resources will be of the utmost importance, not only to the economy of New Brunswick, but to the economy of Canada as a whole.

May I just say in that regard, Mr. Chairman, that our council has requested of the

Department of Lands and Mines that this survey be undertaken immediately. We have had a reply from them and with your permission I shall read the reply, which is directed to Mr. Evans, our secretary-treasurer:

"This will acknowledge your telegram of September 29, in which you urge the federal government to undertake an aerial magnetic survey in southern New Brunswick.

"Approximately 40 per cent of New Brunswick has been surveyed by this department, a proportion much larger than that undertaken in any other province. The most promising parts of the province have been already covered in this work.

"Demands on our equipment and personnel cannot permit this extension into less promising areas at the present time.

"I deeply regret that a more favourable reply cannot be given.

"Yours sincerely,

"J.J. McCann,

"Acting Minister."

If I might digress for a moment on this, I would like to say that while they state that 40 per cent of our province has been surveyed, which is a greater proportion than any other province, that may seem reasonable; but we must remember that 40 per cent of the area of New Brunswick would amount to probably 11,000 square miles, which would only be about

2 per cent of the province of Quebec or the province of Ontario. So that percentage has very little bearing on the situation. The same reply could be given, that 75 per cent or 100 per cent of the province of Prince Edward Island, say, had been surveyed, which would have very little bearing on the total survey work in regard to surveys taking place in other parts of Canada.

THE CHAIRMAN: You can do a lot with percentages.

MR. MacLEOD: That is right. I do not care too much about going back into the history of Canada, but sometimes to understand the present and foretell the future it is well to go back.

If we go back to the time of confederation -- I know you people from Upper Canada are somewhat tired of hearing the maritimes talk about maritime rights, but at times we do have to go back, and I would just like to call to the attention of the commission the purchase of Prince Rupert Land at or about the time of confederation, when there were actually only four provinces in confederation -- New Brunswick, Nova Scotia, and what we like to class as Upper Canada.

Well, at that time, Prince Rupert Land was purchased from the Hudson's Bay Company. Since that time the province of Quebec has been given the territory of Ungava, with vast mineral and other natural resources. The province of Ontario has been presented with nearly all the northern part of what

is now northern Ontario, with its vast mineral resources. Some of you who attended school a good many years ago remember what Manitoba looked like in our old geography book; but after confederation Manitoba was granted a considerable part of Prince Rupert Land.

Of course I must say that the federal government did administer the mineral rights for some years after confederation, but that is now a part of Manitoba, which was given access to the sea at Churchill. The other prairie provinces, too, obtained considerable territory with mineral rights. I believe the oil which has been discovered in the west is in what was part of that purchase, or at least part of the Northwest Territories.

So two of the provinces which contracted to buy that land, the provinces of New Brunswick and Nova Scotia, received nothing from that purchase, although they were among the contracting parties; and at that time I believe our standard of living in this part of the country, and our economic position, were as good or probably better than in parts of Ontario. But we have received nothing. So if there is any priority to be shown in the future development of any part of the country, I do not think we are asking for charity, let us say, or anything we do not deserve. When we ask for a survey of the other parts of New Brunswick or the other parts of the maritimes, I believe some consideration should be given to giving us a priority, so the less developed parts of the country may be developed.

Probably this is digressing from the brief, but I think it is well to bear it in mind.

Electric power development. While demanding that the minerals mined in New Brunswick be processed in the province, yet we must be realistic and consider if it is possible under present conditions. Taking into consideration our present supply of electrical power, we fear that without additional power development in New Brunswick it will be useless to hope for any large scale industries in this province in the immediate future. The lack of cheap electrical power is the one great drawback for the future industrial development of New Brunswick.

It is true that the New Brunswick Hydro Commission is at present constructing a new development at Beechwood which, when completed, will provide some additional electric power, but not sufficient to supply power for any large scale industry such as a smelter or metal refinery. This new development at Beechwood which, by the way, is being financed entirely by the New Brunswick government, will no more than complement our present needs.

In 1954 the potential horsepower of New Brunswick was 434,200; the horsepower actually developed, 164,000, or 37.8 per cent of the potential horsepower. (Department of Northern Affairs and Natural Resources, 1954.)

If New Brunswick is to keep pace with the rest of Canada in industrial expansion, much more

of New Brunswick at 434,200. I believe the Saint John river, if properly developed, would add a great deal to that total.

If New Brunswick is to keep pace with the rest of Canada in industrial expansion, much more of this potential electrical power must be developed. In order to do this, assistance in this field must be given to this province by the federal government. The financial resources of our province have been stretched to the limit by construction of the Tobique power development in 1953 and the present Beechwood development. The refusal of the federal government to assist in the Beechwood development, while at the same time pouring millions of dollars into the construction of the St. Lawrence seaway, which when completed will be another source of electrical power for the central provinces and a source for which we in New Brunswick are paying our share, should be criticized by all residents of this province. Actions such as this on the part of the federal government should not be repeated in the future. New Brunswick must have additional electrical power to expand and the province must have federal assistance to develop it.

One other source of cheap electrical power for this province must be given earnest and serious consideration and that is the Passamaquoddy bay tidal development. The United States government just recently allocated \$2,000,000 to survey the possibilities of this project which has been

pronounced feasible by prior surveys made by the government of the United States.

Whether the project will be developed by the United States or be a joint project of the United States and Canadian governments, it will undoubtedly prove to be another important source of electrical power for New Brunswick, since the potential development, should the United States develop it alone, will prove more than needed to supply the demands throughout the United States districts bordering Passamaquoddy bay.

I have just a note on that. In regard to the statement on the St. Lawrence seaway, in a recent article in one of the Canadian periodicals it is stated that the seaway is also a great asset, in that it offers more than 11 million potential horsepower for development. The article states:

"Already on the south shore of the St. Lawrence river opposite Montreal a vast new industrial development is taking place. Large firms, European and American as well as Canadian, have bought land and have announced plans to establish manufacturing plants and distribution centres here."

So the future development of our province is definitely tied up with additional electrical energy. I believe that has been pointed out in other briefs which have been presented to this commission,

so we need not discuss it further.

The Chignecto canal. So much has been said and written about the construction of the Chignecto canal through the isthmus of Chignecto and the benefits to be derived by this province from its construction, it appears unnecessary for us to add more to what has already been said. Past surveys have shown that the construction of the Chignecto canal is feasible and will be of the utmost importance in any future development of this province. It may well prove to be another source of our much-needed electrical power and probably rank second only to power development in over-all importance to this province.

Just a note on that. We must admit that surveys have been made of this Chignecto canal, and I think a commission on transportation stated in its findings that construction of the Chignecto canal was not economic.

Since that commission sat I think conditions have changed, especially with the mineral deposits that are now being developed in Labrador, and unfortunately are being shipped out of the country. Probably one of the many reasons for the construction of the St. Lawrence seaway is that it will take the ore out of Labrador through to refineries and steel mills in the United States, unless we do something about that.

That would also apply to the Chignecto canal, and would be one of the reasons why that canal would be of some benefit in shipping iron ore to New

England ports. Instead of the ore being taken down through the great lakes to central United States ports, it would add greatly to the facilities for shipping ore through to the eastern seaboard, which I believe would have some effect on the future development of New Brunswick.

It would also greatly facilitate the shipping of ore from Bathurst, which we hope will eventually be processed in the province of New Brunswick and, if so, we hope somewhere in the vicinity of Saint John. If the ore is to be shipped out of the province, which we do not want but probably will have to accept, it could be shipped through the port of Saint John with a very short haul from the minehead.

The transportation commission, while saying this project was not economic, gave very little consideration to it, and also forgot something that happened in another part of Canada in the past.

You will recall that the building of the railroad up into northern Ontario was looked upon as a foolish move. At that time it certainly was not economic. There was nothing there, except probably a dream or a vision, to support the building of this railroad through northern Ontario. But it was built; and the present has certainly proved that those who had the vision or the dream in the past were correct.

We believe that while present conditions may seem to indicate that the Chignecto canal is not economic, the potentialities of this project will prove that it is in future; that it is necessary.

And then going back again to confederation, may I just state in passing that it was one of the baits, shall I say, held out to the maritime provinces to induce them to join in confederation. At least I will say it was one of the conditions mentioned in confederation.

Farming. New Brunswick's farm net income in 1951 was \$34,000,000. The value of farm capital was \$178,000,000. Percentage of income to capital was 19 per cent. In Canada as a whole the percentage of income to capital is 21 per cent.

Comparing the index for the physical volume of agricultural production in New Brunswick with that of Canada as a whole and taking 1946 as 100, we find that in 1953 the Canadian index had risen to 123.4 while the New Brunswick index had changed only 1.3 and stood at 101.3.

In 1945 25 per cent of the total labour force was employed in agriculture. In 1955 only 16 per cent of the total labour force was employed in agriculture; that was in New Brunswick. Probably that may not be a true picture, due to the use of machinery and equipment on farms in other parts of Canada. That may not mean anything, but unfortunately the vast majority of the farms in New Brunswick are not highly mechanized, and that percentage of reduction in employment in agriculture is an indication of the reduction in agricultural activity as a whole.

As to health and social services, we

are not sure whether the terms of reference of this commission cover these, but we thought it important enough to make some mention of it in our brief.

Due to the low economy of our province, many of our people are forced, through necessity, to depend a great deal on the services of the Department of Health and Welfare set up and administered by the provincial government. The Touzel report of 1949 on health and social services in the province gave some very good suggestions on how those services could be improved. However, none of the suggestions contained in the report were carried out.

New Brunswick has a larger percentage of children and old persons than any other province in Canada as a whole. 42.5 per cent of the population are under 20 years of age as compared to 37.5 per cent in the rest of Canada. 7.1 per cent were 65 years and over compared with 6.7 per cent in the rest of Canada. This shows a definite trend of the young people of workable age leaving this province for localities in which the economic position is more favourable. This means that a smaller group of working age has the responsibility of supporting the young and old alike.

These facts raise important considerations for the planning of welfare and social services in this province whose population is scattered over a country much of which is uncleared and unprofitable, whose population is composed of both French and English-speaking Canadians in varying

degrees in different regions, a population which, losing many of its young and energetic workers, has a large proportion of dependents, both young and old.

Our social legislation is far behind that of other provinces who enjoy a higher economy and have less young and old people to care for.

The means test in the Mothers' Allowance Act, liquid assets are not comparative with those in Nova Scotia, Quebec, Manitoba and Saskatchewan. In Alberta the amount of the means test is determined in accordance with the individual circumstances of the applicant.

Freight Rates. This is dangerous ground, and I just mention them.

THE CHAIRMAN: It is for us.

MR. MacLEOD: The whole question of maritime freight rates should be examined and revised under present day conditions. The policy of considering the port of Saint John, New Brunswick, as a winter port only should be discontinued. The assistance in recent years in the development of the port of Portland, Maine, by the Canadian National Railways has adversely affected the port of Saint John and has added nothing to the economy of New Brunswick or Canada.

Just in passing I would like to quote one discrepancy in freight rates in New Brunswick. This is on paper from the Dalhousie mill. This is not altogether a matter of freight rates; it is probably a preference shown to the port of Portland,

Maine.

From Dalhousie, New Brunswick, to Portland, Maine, the freight rate is 26 cents per 100 pounds, plus 15 per cent. From Dalhousie to Saint John it is 48 cents per 100 pounds straight. That works out that on a carload of 50,000 pounds from Dalhousie to Saint John the freight rate is \$240, while from Dalhousie to Portland, Maine, it is \$225, and advantage of \$15 per carload.

Miscellaneous. The provinces of Ontario and Quebec now restrict the export of raw pulpwood; there have to be permits for the export of pulpwood from both Ontario and Quebec -- thereby creating incentives for the expansion of the pulp and paper industry in these provinces. New Brunswick could well follow in line with the legislation enacted in Quebec and Ontario for the greater economy of New Brunswick instead of allowing many thousands of cords of pulpwood to be exported from this province each year. This is just another example of why the economy of this province remains so low compared to the rest of Canada through the export of the province's resources.

In that regard may I state that in 1952 the total pulpwood produced in New Brunswick was 1,090,500 cords, and we exported 535,000 cords. In 1953 the total production was 853,000 cords, of which we exported 287,000 cords.

In conclusion, Mr. Chairman, in this

brief we have attempted not to overemphasize the poor position of the economy of New Brunswick in comparison with Canada as a whole; we have merely tried to picture things as we see them. We sincerely hope that the commission will not be persuaded that we consider our position hopeless and that we are discouraged. This is far from the truth. Although the past and present are far from bright and conditions are not what they should or could be, yet we have faith in the future of our province. We believe that given the assistance and consideration to which we are entitled as a province of this dominion then we, the people of New Brunswick, have the resources, the intelligence, the determination and the courage necessary to make New Brunswick one of the leading provinces of the dominion of Canada.

Just in closing I would like to say this; that as far as the working people in the province of New Brunswick and the maritimes as a whole are concerned, in the past we have been advised by many people outside of the labour movement that we, the workers in New Brunswick and the maritimes, should not expect a standard of living comparable to that of other parts of Canada.

In the past, unfortunately, in many cases the workers accepted that premise, but we no longer do. We feel that we, as citizens of this dominion, and of a province so rich in natural resources largely undeveloped, are entitled to and,

may I say, demand a standard of living comparable to, and probably we are not ashamed to say we would like to see it higher than, any other part of Canada.

I was somewhat disturbed today to hear mention made of industries being enticed to low wage areas. I have heard that expression used and applied both to parts of Canada and to the southern states, where industries are enticed by satisfied workers in a low wage area.

We are no longer content to be classified as satisfied workers in a low wage area.

Thank you, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. MacLeod, for the way you have presented this brief. On this last point you have made, I may say that in my experience many people who have located businesses in what were known as low wage areas, woke up after a little while to find that the wage levels came up fairly quickly. It is not a good principle to bank on.

MR. STEWART: It is surely one of the ways in which wages are increased in areas with low wages; that is, by new industries moving in and creating an additional demand for labour. Might I ask a question on the matter of unemployment, Mr. MacLeod. Has this been general throughout the province, or has it been spotty in particular industries?

MR. MACLEOD: It is pretty general throughout the province and throughout the maritimes

as a whole. Of course in the Cape Breton area it is considerably worse than in any other part of the maritime provinces, due to the coal situation there. But in other parts of the maritimes, in districts in the province of New Brunswick there are many factors. There are seasonal factors, which I believe the provincial government is attempting to overcome by planning work, to some extent, during the off season or bad season. Then the changeover from steam to diesel on the railroads has had quite an effect on certain sections in the province of New Brunswick, and in fact on the maritimes as a whole. There are many factors.

MR. ELLIOTT: I might add to that in passing that half in truth and half in jest we are continually chiding our national employment people for, as we say, issuing a bulletin every three months commenting on the unemployment situation and mentioning that it is seasonal. They seem to do that with very great regularity.

MR. GRAUER: Do you have in mind the order of cost of the Chignecto canal?

MR. MacLEOD: I could just quote Prime Minister St. Laurent, who said he did not know whether it was \$50 or \$100 million. The best information we have is that it lies somewhere between \$50 and \$100 million. I couldn't say.

MR. GRAUER: It has not been engineered to any great extent, then, I take it?

MR. MacLEOD: It has been surveyed. I

think the first survey was made back in 1890. Probably the commission may know that at one time an attempt was made to build a marine railway across the Chignecto. I believe there was something like a million or a million and a half sunk into that, and the remains of that project can still be seen on the Chignecto isthmus. That was in the days of the sailing ships.

MR. GUSHUE: What is the width where the canal would go through?

MR. MacLEOD: Roughly 20 miles.

MR. EVANS: At a meeting I attended in Ottawa over a month ago the fact came out that interests in the United States had offered to put up \$100 million to put the canal through, so I presume the price would be around that figure.

MR. GRAUER: I do not know whether you know, Mr. MacLeod, that the federal government maintains that it does not put up any money for the power site on the St. Lawrence seaway.

MR. MacLEOD: I realize that. That is right; but the fact is that the power development is a by-product of the seaway. It is very doubtful if the seaway were not constructed whether there would be an immense power development there, so it is actually a by-product.

I might add that when we mention the possibility of power from the Chignecto canal, that also is doubtful. Claims have been made that there is a source of power there, while other surveys there

say there may be small amounts of power but no great amount or to no great extent. So unless a definite survey were made on the power potentialities, we are not prepared to say.

MR. GRAUER: We have had both points of view put to us, as a matter of fact.

MR. MacLEOD: There is a strange situation there. I think once every 14 years or so there is some kind of tide phenomenon there which would have to be taken care of, which would be very expensive. I have heard about it and read about it. I do not understand it myself, but there is something there that periodically takes place in the tide between Northumberland strait and the Bay of Fundy which, although it only happens once very 14 or 15 years, would still have to be looked after, which would make the project somewhat expensive.

MR. GRAUER: On the question of the standard of living in New Brunswick, what is your impression since the end of the war; has there been much of an upward trend?

MR. MacLEOD: Our standard of living, on the average, has improved, certainly; but the average is a strange thing. We may have a thousand people who are above the average, and still we may have 5,000 or 6,000 who are below. I would say on the average it has improved, yes.

MR. GRAUER: I suppose that same comment would apply to averages across Canada. There is no such thing as an average worker or an average farmer, for instance.

MR. MacLEOD: That is right; but we can only speak in generalities and of people on the average. We cannot go into every detail. One thing I must say is that the Dominion Bureau of Statistics at one time did publish prices and you could compare standards of living to some extent, but now they have discontinued that and they are working on some budgetary system which is pretty complicated, and probably is meant to be. I don't know.

MR. LUSSIER: I would like to correct an impression which seems to exist in the maritimes regarding shipping permits for pulpwood in the province of Quebec. It is true that there are shipping permits for all the wood which is being exported; but the shipping permit is only issued to control the wood that comes from the licence holder on crown land. It does not affect the wood that comes from the private lands. No private land owner is refused a permit; never. It is just a matter of controlling the export of wood from crown land, to see that no wood coming from the licensed stands shall be exported to the United States. The others are always given permits. I do not think the province has power to refuse a permit and forbid the export of wood to a foreign country.

MR. MacLEOD: I think a statement was made this morning as to the difference between crown lands in Quebec as compared with crown lands and privately owned lands in New Brunswick. I

believe only a very small percentage of the wood lands in Quebec are privately owned.

MR. LUSSIER: That is right.

MR. MacLEOD: But I believe in New Brunswick the percentage would be somewhere between 40 and 50 per cent, so there would be quite a difference there.

THE CHAIRMAN: Well, thank you very much, not only for the brief but for the added remarks and comments you have made during the course of its presentation. We are very grateful to you.

THE CHAIRMAN: Now, is Mr. Colin Mackay present for the Maritime Lumber Bureau?

MR. MACKAY: Mr. Chairman and members of the commission, first of all I owe you an apology. My good friend Senator Hawkins appeared before you in Nova Scotia. Mr. Burchill was to appear before you here, but the day before yesterday he rang up and said that while he was fully conversant with the manufacturing end of the industry, he would like me to come along with reference to the marketing end. Then less than 24 hours ago he told me he could not get here, so I have had to carry the load, with the result that I am very sorry but I have no prepared brief. I did not know until about one o'clock yesterday that I was to do this, and as I had an engagement yesterday evening I did not have time to get any brief down on paper, so I will have to talk off the cuff.

I was president of the Maritime Lumber Bureau for two years, resigning a couple of years ago, so I guess Senator Burchill was quite within his rights in asking me to come here.

As you gentlemen well know, the lumber industry in New Brunswick is probably the oldest industry there is, with the exception of the shore fisheries, because it has been going on now for well over 150 years. While our raw product is the same as the pulp and paper industry, the expansion of the latter industry in New Brunswick has cut into the supply of our raw materials; hence, while the total cut of the forests of New Brunswick is probably equal

to what it used to be, of course there is now a much larger percentage going into the pulp and paper industry, which reduces the quantity of long lumber cut.

But there is still manufactured in New Brunswick some 350 million feet a year, which would give a value in the rough of around \$20 to \$25 million. I should think this year it would be nearly \$25 million, to which must be added a lot of finishing work in dressing, planing, shipping, loading steamers, loading railway cars, and so on. So I should imagine the value of the product by the time it is on the railway cars or on ships would run up to well over \$30 million, from \$30 to \$35 million. That of course varies from time to time, as the lumber industry, not only in New Brunswick but in Canada and also throughout the world, is probably is one of the most speculative industries there is, and subject to very acute and very sharp fluctuations in demand and also in price.

As I said a few minutes ago, the production will run from 300 million feet to 350 million feet a year. Of that I should estimate some 35 per cent is consumed within the province. That would represent a high percentage of the lower grades of sawn lumber; lumber for remanufacture here, for consumption by the country trade and so on. The balance, while you cannot pin it down exactly, if you take 350 million feet a year and take 30 per cent of that for local consumption, the balance over a term of years will average about half in overseas shipments, largely to Great Britain, and the other half to

central Canada and the United States. It is practically impossible to tell what percentage of that is consumed in Canada and what is consumed in the United States, because a great deal of it is shipped up to Quebec and more or less remanufactured there, and a good deal of it goes on to the United States or to Ontario or to Manitoba.

A few moments ago I mentioned the pulp and paper industry. We are very glad to have the pulp and paper industry; but while it actually brings more cash, I do not think it is as good for the labouring people in the province as the long lumber industry is. In the pulp and paper industry you have more men at comparatively higher wages, but you do not have anything like the number of men employed, if you compare the finished product, as you have in the lumber industry.

As I say, the lumber industry started a great many years ago; and whereas in the pulp and paper business you have in New Brunswick half a dozen pulp mills, we have numerous sawmills all over the province. This applies also to Nova Scotia as well as Quebec and Ontario.

THE CHAIRMAN: Do you think that is a good thing, to have these small sawmills all over the province?

MR. MACKAY: We are talking on a comparative basis. Anyone who would say that the economy of Canada 50 years ago was the same as it is today would be silly; but on a comparative basis I do not think the small villages or the crossroad settlements

throughout the country were ever as well off as when there was a small sawmill in nearly every village. There was always a certain amount of employment; but that is pretty well finished.

Well, so much for that. My end of the lumber business, Mr. Chairman, is the marketing, and that is what Senator Burchill asked me to come here about. I know you are tired of the freight rate question, but New Brunswick and Nova Scotia are pretty well out in the Atlantic ocean. The wood trade at the time of confederation, and up to the first part of this century, was very profitable on a comparative basis. With the expansion of industry, particularly in western Canada and Ontario, the demand for labour has increased, and as you know there has been a big movement of population from this area to central Canada. The consumption of wood in that section of the country has greatly increased, but due to our rail hauls the competitive position has worsened.

I need not go into a lot of elaborate figures, but roughly speaking rail freights today from this area to Ontario and western Quebec and the United States, on lumber and other commodities are approximately double what they were before the last war started.

Our main competition in those markets, of course, is with production from Ontario and British Columbia, and in just recent years with the big increase in production of white spruce in the

foothill districts of Alberta. Their rail freights have increased like ours, of course, but not by the same percentage. I am not giving the exact figures, but in two or three of the recent hearings the rates on lumber were increased by a percentage, but the maximum increase was 6 cents. Some of these rates in British Columbia were running between 90 cents and \$1, and they got the 6-cent increase. From here to Toronto I think the rate was around 50 cents, and it is now 59 cents. In other words our position there has worsened.

As I said before, approximately one-third of the over-all production of lumber in New Brunswick has gone to the overseas market, principally to Great Britain. I do business in Ontario and Quebec, and I have always found it very hard to get lumbermen and others up there to realize that 50 per cent of the international trade of the world is still done in sterling. Before the war the pound was worth \$4.86; today it is \$2.70; and that makes it just that much harder for us to compete in the overseas markets.

As an example, I just quote this. As I have told you, the lumber market is very volatile. In 1937 prices were fairly good, and a fair rate at that time was 60 shillings a stand. Today it costs 100 shillings a stand to put a ship in and out of Saint John alone, without anything else for the rest of the boys. Freight rates were running 60 shillings. Last year they were 300 and 325. This year they are

up to 450.

I do not want you to think I am very depressed about this, but I like to point out the difficulties. As I see the trend today, it will go on for a good many years to come. There will be more integration, I believe, as between the sawmill industry and the pulp and paper industry. Undoubtedly the small unit has not been getting as high a percentage of the product out of the log as it should have obtained, and steps are being taken now to correct that situation. Some mills are putting in chipping machines and using the chips; but that is largely controlled by the transportation question. If the products have to be transported any distance, it just is not profitable.

Mr. Chairman, as I said, I am very sorry I do not have a written brief for you. However, you had the New Brunswick brief, which went into the forestry end of it quite well. As far as marketing the lumber goes, it is a very fluctuating market, and it is hard to quote any figures. Six weeks ago we were doing a great business. Then the Chancellor of the Exchequer made a speech in the British house, and trade stopped. Just last week we sold a little, but that trade is likely to fall off again. I apologize for not having any brief. I have done the best I could, and if you would like to ask any questions I shall answer them to the best of my ability.

THE CHAIRMAN: Thank you very much.

MR. LUSSIER: You have been mentioning the difficulties which arise from competition. What competition do you refer to?

MR. MACKAY: Chiefly Scandinavian and Russian. There was a great deal of talk throughout this country, in the east, on the British Columbia coast and throughout the trade, to the effect that the Russians sold timber all over the world shortly after they got control of the Baltic countries. Timber is a commodity that can be turned into cash or foreign exchange probably faster and cheaper than any other commodity, and that is the reason the Russians did that. They wanted sterling; they wanted dollars. You can go out and buy timber, put in a few men and a small mill, and in a short time you have a merchantable product. If you begin mining, as they are doing in northern New Brunswick, you may have to spend millions of dollars over a period of four or five years before you have a handful of material to sell.

That is one reason. Another is the question of labour. People have left the lumber industry. You heard the submission of the labour people, and we cannot ask them to take any less wages. They are about the lowest paid workers today. If the market conditions forced the trade to do that, they would go to Montreal or Toronto on the next train, and get another job. We cannot do it and we do not want to do it.

In reference to competition, I said our competition in the central Canadian market was largely with British Columbia. British Columbia does a big trade with Great Britain; in fact it does a big trade all over the world. If the sterling

area gets short of dollars and starts curtailing its trade, that lumber will have to be sold in North America.

MR. LUSSIER: When you mention competition with the Scandinavian countries such as Sweden, and you might add British Columbia, is it not true that the quality and the preparation of their wood is still better than ours here in eastern Canada?

MR. MACKAY: That is just a theory which you hear. It is true to this extent, that the majority of stock from Finland and Sweden is produced by big, well organized mills. They are no better than Price Brothers; they are no better than any of our bigger mills, but we have a large percentage of these small mills turning out a very small quantity of lumber. We are doing all we can to get that quality improved, and it is improving greatly. The lumber bureau started grading the lumber some years ago and the quality improved greatly.

I have listened to that theory all my life, and I do not agree with it. I have seen southern Swedish wood that you could not sell in this country. In the north part of Sweden they have a grade of wood we do not have, probably the best softwood in the world. However, for the rest I would say their wood is not better than ours.

MR. LUSSIER: That is your impression. I have the opposite impression. I think their wood is better prepared and better presented.

MR. MACKAY: It is better prepared because of the fact that they have more big units; but when you get down in the south, there is a lot of stuff coming from Hamburg and Poland and Czechoslovakia, and it is no better than ours. I certainly do not think it is any better than the products of Price Brothers.

MR. LUSSIER: Price Brothers is a very good mill, and I have seen wood which they are exporting to England.

MR. MACKAY: If you take Sweden and Finland as a whole, undoubtedly their product is better prepared; but as I said before it is due to the fact that a much larger percentage of the wood is produced by bigger units. But I think our better mills are just as good.

THE CHAIRMAN: Thank you very much.

MR. MACKAY: I again apologize for not having anything prepared.

THE CHAIRMAN: I now call upon Mr. E.H. Brewer, first vice president of the New Brunswick Teachers' Association.

MR. BREWER: May I present my colleagues who are appearing with me: Mr. Kingett, the general secretary of the New Brunswick Teachers' Association; Mr. W.B. Main, director of the Saint John Vocational School, and Mr. Gordon Cassidy, director of the New Brunswick Vocational Institute.

At the outset may I say that I am representing the president of the New Brunswick Teachers' Association, who is unable to be present today.

THE CHAIRMAN: Just before you begin, we will label this brief of yours Exhibit 22.

MR. BREWER: We feel, sir, that education is inextricably linked with the economic condition of the country; therefore we feel that since this is sometimes not completely recognized by the public, it is our duty to bring before you what we consider to be the facts concerning the educational picture in this province.

With your permission I shall read this short brief, and then we shall be glad to answer any questions we can.

The economic prosperity of a region depends as much on the qualities of its people as it does on the measure of its natural resources. Whole populations, for want of knowledge, have lived for generations close to the subsistence level on areas

of great potential wealth; in other lands, education and industrious people have made much of limited means to establish a comfortable standard of living. In the conviction that the future economy of this province will be shaped by those at present in our schools, the New Brunswick Teachers' Association appears before this commission to plead the needs of children, who are the greatest single asset this or any other province may appraise. Our remarks on the general state of educational services in this province will be supplemented by those of our members who also form the New Brunswick Vocational Institute -- those gentlemen are with me this morning -- and who will speak on particular aspects of vocational education in the public schools.

Our people. The 1951 census listed half a million residents of this province, three out of every five living in rural areas. Ninety-five per cent of the people are of English or French origins, with the trend running toward an equality of numbers between the two cultures. Forty-four per cent are less than 20 years of age, and are generally dependent upon the remaining 56 per cent; for the country as a whole, the corresponding ratios are 38 per cent and 62 per cent. The birth rate is the second highest in Canada.

Our schools. New Brunswick has maintained a system of free public schools since 1871. Entrance to the first grade comes at six years of age. The educational programme is of the 6-3-3 type, modified to meet local needs. Many senior

high schools offer courses leading to employment in business, industry and homemaking, as well as a matriculation curriculum. Although control of the schools is vested in a local board of trustees, financial matters have been brought under city or county-wide direction for the most part.

Deficiencies in educational achievement. Despite the extension of high school services within the past decade, more than 60 per cent of rural, and 54 per cent of urban, young people of this province aged 15-19 years do not attend school. Of these, the rural group had completed grade 7 on the average; the urban group had done only half the work of grade 9. Less than half the children who enter grade 7 will complete grade 8, and only 6 per 100 will finish a senior high school course. Our percentage of grade 7 students retained to grade 11 is the second lowest in all Canada, and stands in marked contrast with those of the other Atlantic provinces.

From such data it is obvious that too many of our young people will undertake to earn their livelihood with a meagre formal education, and that relatively few will achieve the standard of general education and technical training which the more complex industrial economy we envision will demand. In such circumstances the exploitation of our natural resources must be retarded, or else achieved by and for the profit of others who are competent to direct it.

Financial effort. Well-documented surveys sponsored by the Canadian School Trustees'

Association and the Canadian Teachers' Federation, and accepted by the royal commission on the financing of schools in New Brunswick, have established the fact that this province led all Canada in relative financial effort to support public education during the period 1949-1952. At that, New Brunswick's expenditures on education only equalled the Canadian median in cost per pupil, cost per classroom, and cost per capita. Had New Brunswick students attended school in numbers proportionate to those for all Canada, or had they remained in attendance as long as do students in other provinces, the financial cost would have been much higher. With 3.8 per cent of Canada's children to educate, New Brunswick has been estimated to be capable of bearing only 2.4 per cent of the nation's taxes.

Future requirements. The best forecasts of school enrolments indicate that grades 9 to 12 will double in numbers during the next 12 years. Steady but less spectacular growth will occur in the lower grades. A rising standard of living plus employer demands for greater maturity and better training on the part of junior workers will hold students in classrooms longer than at present, and will increase the force of argument for continuation of family allowances beyond the age of 16 years, while the student is making satisfactory progress in high school grades. Education of the present quality will therefore cost more as the proportion of people to be served increases and as the population grows; if the quality

is to be improved as well, the bill must be even greater.

The teacher shortage. If adequate education for all is accepted as a necessary condition for economic improvement, teachers must be recruited and trained in numbers sufficient to meet the needs. At June 30, 1954, one of every six persons engaged in teaching in New Brunswick had no professional training; of the remainder, 90 per cent held a licence obtainable in one year after junior matriculation; less than 9 per cent of New Brunswick teachers had reached a standard of professional training equivalent to that of a four year bachelor's degree. The median salary of New Brunswick teachers for 1952-1953 was \$1740; only 19 teachers earned more than \$5,000 in that year. Six of every seven teachers were women; one-quarter of all teachers had less than three years service in the profession. Although only a few schools in various parts of the province were closed because no teacher, trained or otherwise, could be found, an appalling number of districts have reported a preponderance of untrained teachers during the past ten years. In many areas children have never met a professionally trained teacher during the entire period of their attendance at school.

Education linked with economic growth. Investment in human resources cannot yield the immediate return which a similar endowment may bring when applied to materials. On the other hand, its effect is generally more prolonged, in absence as in presence, so that the economy of a region may have been determined, and certainly influenced, by

what went on in its schools a decade or more before. The level of economic development to be reached by the next generation in this province is directly related to the education now being offered them as children. It is our fear as professional teachers that it is inadequate by comparison with the quality of schooling provided elsewhere.

Recommendations. The New Brunswick Teachers' Association therefore recommends:

1. That a greater amount of financial support be given to the education of children in order that the long-term prosperity of this province may be increased and sustained.

2. That educational opportunities in this province be equalized with those elsewhere in Canada through aid from the federal treasury.

3. That prompt action be taken to provide the additional facilities for education which predicted enrolments, particularly on the secondary school level, will require.

4. That effective measures be introduced to attract and retain competent student-teachers, to protect and promote professional improvement, and thereby to enhance the prestige of an honoured calling.

5. That payment of family allowances be continued beyond the age of 16 years on behalf of those students who are making satisfactory progress in high school grades.

THE CHAIRMAN: Thank you, Mr. Brewer.

Would you prefer to have us to ask questions now, or would you like us to ask Mr. Cassidy to present his brief and then ask questions of you together? Which do you think would be the best way to proceed?

MR. BREWER: I think Mr. Cassidy would prefer that.

THE CHAIRMAN: It seems to me there is a certain amount of overlapping. Your brief, Mr. Cassidy, will be Exhibit 23.

MR. CASSIDY: Mr. Chairman, in the presentation of this brief, the president of our organization which consists of all the teachers in the province of New Brunswick has been represented by the vice president this morning.

We as a group are only 331 out of over 4,000 teachers in the province; but we have worked for the development of vocational education, and we feel that it must go ahead with the development of the province if we are going to be able to supply the skilled labour necessary.

Vocational education in the province of New Brunswick is administered as a branch of the Department of Education with a director responsible to the minister through the chief superintendent. Provision is also made for a provincial vocational board to administer the Vocational Education Act, which is separate from the Schools Act.

Development. Growth in enrolment has been spectacular during the past 30 years. From 8 schools in 1925-1926, with 280 students of high school grades, we now have 52 schools in the province with an enrolment of 3,577 students in grades 10, 11 and 12. The shop and home economics departments of grades 7, 8 and 9 come under the direction of the vocational department with 9,900 students at present doing work in shop and home economics. Evening classes have developed to such an extent during recent years that there were 5,173 students enrolled in these classes during 1953-1954.

Besides these classes in our urban and rural high schools, there has been established in Moncton the New Brunswick Technical Institute, the nucleus of a trade and technical school. At present the school trains teachers for the shops of intermediate and high schools; gives also a 12 months technical course in radio and television; gives trade courses in plumbing, barbering, cabinet-making, carpentry, commercial drafting, electricity, motor mechanics, practical nursing, upholstering, machine shop, body and fender, and welding; and as well gives training to the physically handicapped in the above mentioned courses.

During the world war II years there was established a war emergency training programme, which established facilities in the vocational schools through the province for many of the necessary trades connected with the armed forces and war industries. New Brunswick had centres which operated very efficiently almost entirely with civilian instructors, many of whom were regular vocational teachers. This programme, however, has been completed.

Vocational education in the secondary schools gives a basic training that enables the graduates to be promoted more quickly in industry. It is a generally accepted fact, gleaned from the survey of April, 1954, that the students trained in these secondary vocational schools or departments have been employed by industry and have proved the

worth of their training. They have learned skills enabling them to enter directly into our business, industry and home-making. Moreover, the schools have helped to weed out the misfits and left only those who are of value to industry. Thus the work being done in public vocational schools and departments is making a valuable contribution.

All this gives a picture of what is being done and what has been done since the inauguration of the vocational training programme. Since its inception there has been a marked increase in interest and enrolment in this field. From the attached table one can note the increase in enrolment as compared with the increase in population. The increase in population between 1921 and 1951 was 33 per cent, whereas the increase in people served by vocational schools is 1500 per cent. The table which is shown was taken from the annual reports of the New Brunswick vocational education board.

Value of vocational education. Vocational education proved itself in the contribution of skilled manpower for both industry and certain branches of the armed forces under the war emergency programme. In the province of New Brunswick it provided training in motor mechanics, aeronautics, sheet metal work, etc. Perhaps nothing helped to prove the value of formal training in basic skills and operations to men and women entering industry as did this war emergency programme. Many a student used this training to advantage in reestablishing

himself in civilian life in a profitable occupation. In addition, the programme provided trained men for key positions in industry. If such a programme could be inaugurated for this group of more mature workers who are anxious to obtain training, it will fill a great need. At present skilled labour is being brought into the province to fill jobs which could be done by our own men if they had the proper training.

Vocational training has done a great work but has still not kept up with the demand or provided sufficient training for that vast number of people who have finished their formal education and who did not have the advantage of vocational training. It is estimated that 40 per cent of unskilled labour today wish to learn a trade and have the ability to do so, but there are not sufficient facilities such as buildings and equipment, and very few qualified instructors; furthermore, the location of any such facilities makes it necessary for many trainees to have the added burden of living away from home. I did not include notes on where I obtained my information, but that figure of 40 per cent was obtained from the Unemployment Insurance Commission.

Future demands for skilled workers. The advances in science and technology make it ever more important that we have an increasing number of skilled workers and technicians so that we may steadily supply the demand for trained personnel. It is now becoming an actual fact that the automan

will replace to an increasing degree the less skilled worker and take over his job, but this will necessitate more skilled technicians for setting up these machines, checking their operation and correcting their faults when they are not up to exact standards. Canada has not advanced as far in the last few years as she might have done if she had had the skilled people trained to carry on; in fact, the post-war industrial progress was made possible by importing highly skilled workers from Britain and continental Europe. New ways of making goods, new products and new occupations have appeared and will continue to appear, and the more skilled workers with broad training we are able to develop, the stronger we will be.

The person with a formal apprenticeship training is prepared for an occupation which will enable him to solve the problems that will arise with the new inventions in an industrial age. We must not forget that our rate of economic progress depends not only on the number but the quality of our skilled workers, and they must be developed to respond thoughtfully to problem situations, to do mathematical problems, to be able to express themselves effectively.

In the past New Brunswick has not kept pace with the rest of Canada in industrial development, but indications now are that we are ready for expansion in this field. To prepare for this expansion we must have an increased number of better educated and better trained workers. These workers should be

supplied by our vocational, secondary, trade and technical schools which at present are not equipped to undertake this enlarged programme.

Need for assistance. The outcome of the Robertson commission set up in 1913 by the dominion government made possible the development of vocational education in New Brunswick on a dollar for dollar basis. From the attached table one can note the expenditure in the early years in comparison with the federal assistance at the present time. In 1922 New Brunswick spent \$36,653, of which \$15,326.61 was received in federal aid; whereas in 1954 New Brunswick had a total expenditure of \$646,926.96, of which \$89,800 was received in federal aid. This means that federal aid in 1922 amounted to 50 per cent; in 1954 to 14 per cent.

<u>Year</u>	<u>Provincial Expenditure</u>	<u>Federal Aid</u>	<u>Per cent of aid</u>
1922	\$ 36,653.00	\$ 15,326.61	50%
1929	109,153.64	49,778.82	46%
1952	528,727.90	89,800.00	16.9%
1954	646,926.96	89,800.00	13.8%

Federal aid was adequate to inaugurate a programme and was of great assistance at the beginning, but as the work has expanded there has not been sufficient money to meet the requirements. We will need more assistance to meet the increased enrolment with decentralized trade schools and the development of a technical school of which we have the nucleus.

Moreover, if competent teachers are to be obtained, salaries must be raised to a level considerably higher than at the present time.

At present New Brunswick is taxed to capacity for education. Our people in the future must have not only a higher level of education, as pointed out by the New Brunswick Teachers' Association, but must have a great deal more vocational training if they are to benefit from these developments and raise our standard of living anywhere near the Canadian average. She pays 3.67 per cent of her income for education as compared with an average of 2.46 per cent for the rest of Canada. Nevertheless, if an adequate programme in vocational training is to be carried out, money must be forthcoming, whether it be from federal funds, or industry, or both.

We have tried to give a brief picture of the situation as it exists in the province today -- what facilities there are and how they are being used. We have shown that these facilities are now scarcely adequate for the needs, and will certainly not meet the requirements of the future. There is no doubt that vocational training has proven its worth. It is our hope and earnest desire that the means will be forthcoming whereby we may utilize our own manpower in the development of our own province, and one way to assure this is by making adequate training available. We would respectfully draw to your attention the real need for increased federal grants for vocational education.

THE CHAIRMAN: Thank you very much. I think the questions should be at least begun by the two members of the commission whom your university is going to honour this afternoon.

MR. STEWART: Mr. Brewer, on page 2 of your brief you refer to the low percentage of students in your schools and the heavy dropouts as they proceed from grade 7 to grade 12. How do you rate the reasons for this, in order of importance? I can think of the absence of facilities, where you do not have the schools or where you do not have attractive facilities. Perhaps you have not teachers, either, so there is that lack of facilities. Or is it the urge to get young people out into employment to make some additional family earnings? Or is it partly the attitudes of people?

These are three possibilities. How would you rate these, in order of importance?

MR. BREWER: I am not quite sure that I can rate them, except as a matter of personal opinion. I know of no studies that have been made at the provincial level which would assess those factors which you have mentioned.

When one thinks of the province as a whole and realizes the large number of rural communities; when one thinks of the pattern of the one-room school and the size of the desks that are installed, one soon begins to realize that a boy tends to leave school at the time his knees begin to hit the bottom of the desk. The factors are so general

and simple like that, that I am afraid I could not elaborate upon them.

Part of it is undoubtedly due to employment, not necessarily for wages but as assistance to the father in the fishing industry, on the farm and so on. The boy reaches the age of 13 or 14 and becomes capable of doing a mansized job, and according to the pattern of life in his community that is what he should be doing at that time; he should not do otherwise. Perhaps Mr. Kingett might have some further information on this which is not available to me.

MR. STEWART: I am interested in the apparent increase in the numbers who are going forward into the intermediate and high schools, at a time when on the whole, attendance and standards of living have been going up. This does not suggest too much that lack of income is the factor retarding --

MR. BREWER: I do not think it is. It is not my impression that it is due to economic factors only. Social factors have even more to do with it.

MR. STEWART: But do you think if you had better facilities and, let us say, more adequately prepared teachers scattered all over the province, would that by itself bring about a substantial increase?

MR. BREWER: I think it would. I believe we have evidence on that point, in that during the past 12 years, since 1943, when the Rural Schools Assistance Act was passed and our pattern of

regional consolidation began to emerge, we have had a large increase in the number of students who are enrolled in our junior and senior high school courses. That, along with the fact that a variety of courses has been provided for them, so that individual aptitudes have been recognized, have been factors.

MR. STEWART: Do you still think the family allowance is quite a factor in keeping young people out of employment and in school?

MR. BREWER: Yes, I believe that. It is our observation that a surprising number of young people seem to leave school just about the time the family allowance terminates. It is true that we have a compulsory attendance act, which in certain communities is fairly well enforced, compelling young people to remain in school until the age of 16; but that is not by any means province-wide in its application or in its enforcement, I should say.

MR. STEWART: The family allowance is how much; \$5 a month?

MR. BREWER: I think it starts at \$5 and when they begin school it goes up.

MR. STEWART; But it is relatively small, surely, in comparison with what a boy of 16 could earn if he went into employment?

MR. BREWER: But at the same time, in relation to family needs it is a considerable addition to the cash income in certain communities. It is approximately \$100 a year for high school students.

MR. GUSHUE: Is that not tied in with school attendance on the part of the children? It is in some provinces.

MR. CASSIDY: Yes, I think it is.

MR. STEWART: Might I ask a question of Mr. Cassidy, largely for my own enlightenment. On page 2 of your brief I notice an increase in the number of students taking vocational programmes in the intermediate grades. In your high schools have you separate vocational high schools or do you have a composite school?

MR. CASSIDY: We have two vocational high schools within the province, but we have other schools which are all composite high schools, in which we have an academic programme as well as a vocational programme at the same time.

MR. STEWART: But is it possible for youngsters to get vocational courses in grades 7, 8 and 9? What would they be? You would include household economics and shop work, I suppose?

MR. CASSIDY: If I might use a word, they are a try-out programme. In grades 7, 8 and 9 they will have domestic science; they will have some typing; they will have some shop programmes, according to the facilities that are available. In some cases they will do woodwork.

Back in the twenties when I first went into this occupation, it was only woodwork. Now they have electricity, sheet metal, machine shop and some motor mechanics.

MR. STEWART: Would you say these courses were designed as vocational training courses at that level, or are they really experimental, to let young people try out their aptitudes?

MR. CASSIDY: No, they are not designed as vocational courses. We have tried to make our curriculum in this province work in a vocational course, and see that what we give is accurate and exact instead of covering a wide level of programmes where they sometimes try to cover too much instead of doing it well.

MR. STEWART: Just one last question, and this is on a very big topic on which I shall not get into a discussion with you today. In connection with filling the demand for skilled workers you make a point which to me is very important; that as we look ahead, technological changes are occurring with great rapidity. To me this seems to mean that we should not concentrate on specific skills in our educational system, and you refer somewhere later to broad training.

MR. BREWER: Yes, I do, very definitely; and I feel very strongly along that line; and in talking with the Unemployment Insurance Commission they bear out my thinking on that point.

Students who are educated by us have a broad programme. They take an apprenticeship course. All right; they have very little knowledge; they are not skilled; they have not learned a very narrow trade, which is sometimes done by industry.

They can shift and change over to another phase of the same work. That is why I made that statement, because I feel that in an educational system we should control our curriculum and see to it that we keep it broad; that we do not get our skilled labourer down such a narrow alley that the automan can completely replace him.

MR. GUSHUE: I was going to ask a question on the school leaving age, which I understood was 16. Is there a fairly large percentage of pupils who leave before the school leaving age of 16? You give the ages 15 to 19.

MR. BREWER: Yes. I use those because those are the years given by Dr. LaZerte in his Canada-wide survey. Mr. Kingett tells me they may leave school at 14; and I would say that the percentage is large. I am afraid I cannot give you the exact figures, however.

MR. KINGETT: The only thing I can add is that the school leaving age is 16, but they may leave at 14 if the circumstances warrant it; and nobody has yet defined what circumstances would warrant it. The authorities have not seen fit to make an issue of it and strictly enforce one thing or the other. In those centres where it is strictly enforced, if a child leaves at 14 the only retaliation is that his family allowance is cut off; but there is nothing else to my knowledge.

THE CHAIRMAN: Your figures on the teaching profession show a rather unhappy situation.

What would be the main cause for that; salary scales? I know the matter of money would be one reason.

MR. BREWER: You are suggesting an answer which it would be most pleasant to give and let it go at that. However, I do not think that is entirely the answer. I think we must be fair about this thing. More attractive opportunities have come to our young people, perhaps, in recent years than the profession of teaching.

Not very many years ago in this province there were two real avenues of professional employment for girls; nursing and teaching. Teaching was the perhaps more preferred, because one could leave a rural school -- I am speaking now of 25 years ago -- attend a provincial normal school for one year at relatively low cost, and come out from that and earn one's living in an honoured calling.

Now opportunities for employment in the clerical and secretarial fields, particularly in the urban districts, have opened up for them. The prestige of the profession perhaps has fallen off a little. The increase in the marriage rate within the last 10 years or so has reduced the percentage of those who are making it a permanent profession, shall we say; and the living conditions in certain areas of the province are not attractive enough to draw people to the profession; or if they teach there for a certain period of time it is only with the object of finding more congenial

appointments elsewhere.

One could enumerate quite a number of these factors. I would agree that salaries are a major item, but I think we also ought to agree that salaries are an outcome rather than a cause.

MR. GUSHUE: Mr. Cassidy, I was rather interested in the numbers attending evening classes. These would usually be adults, would they?

MR. CASSIDY: Yes.

THE CHAIRMAN: Well, thank you very much, Mr. Brewer, Mr. Cassidy and your supporting ranks for these two briefs. We agree with you that these are subjects which do come within the terms of reference of any commission that is charged with looking into the economic prospects for the country, and we are glad to have these briefs. I am particularly pleased to have this question of vocational training come up early in our sessions, because it is one on which we expect to hear more as we proceed across the country.

Thank you very much.

MR. BREWER: Thank you for the courteous hearing.

THE CHAIRMAN: Then we shall adjourn now until November 14 in Winnipeg, at 10:00 a.m.

--- At one o'clock the commission adjourned.

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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

WINNIPEG, MANITOBA

November 14, 1955

VOLUME 5

Monday, November 14, 1955

WINNIPEG, MANITOBA

The commission opened its Winnipeg sittings in room 200, Legislative buildings, on Monday, November 14, 1955, at 10 a. m.

Present:

Mr. W. L. Gordon, Chairman;
Mr. Omer Lussier;
Mr. A. E. Grauer;
Mr. Andrew Stewart;
Mr. Raymond Gushue.

Appearances:

Hon. D. L. Campbell, Premier;
Hon. R. D. Robertson, Minister
of Agriculture;
Hon. R. D. Turner, Provincial
Treasurer and Minister of
Industry and Commerce
Mr. R. E. Grosse, Deputy Minister
of Industry and Commerce;
Mr. J. G. Cowan, Deputy Minister
of Mines and Natural Resources;
Mr. Walter MacDonald
Mr. Donald Stephens
Mr. William Fallis;
Mr. Clarence Shepard;
Mr. Vic Stechishin;

for the government of Manitoba

Alderman Chas. Simonite, chairman,
finance committee;

Mr. W. D. Hurst, city engineer;

Mr. J. C. Kerr, deputy commissioner of finance;

Mr. N. S. Bubbis, general manager,
greater Winnipeg water district;
general manager, greater Winnipeg
sanitation district;

for the city of Winnipeg.

Mr. W. J. Parker, president,

for the Manitoba pool
elevators.

THE CHAIRMAN: Well, gentlemen, I call this meeting to order. Mr. Campbell, we are delighted to be in Manitoba. Your weather is a little brisker than the weather we have just left in the east; but perhaps the views and opinions we shall receive will be up to the level of the weather. I do not know. In any case we are delighted to be here, and if you would care to start the proceedings we might get under way.

PREMIER CAMPBELL: Mr. Chairman and members of the commission, I am very glad indeed to have the opportunity on behalf of the government of the province of Manitoba, and I am sure that in this instance at least I can speak for all the people of Manitoba, of welcoming you and your fellow commissioners here today.

We realize the importance of the work which your commissioners are undertaking. We recognize that a careful, studious consideration of the possibilities and potentialities of the Canadian economy will be of great benefit to us at this time. We also appreciate, and I say this very sincerely, the fact that men of the capacity and character of yourselves have been so imbued with the spirit of public service that you are willing to undertake what I am sure is being done at considerable inconvenience to yourselves, in pursuing such an arduous task. We certainly wish you well in your labours, because we recognize their importance and we believe that they will be very, very helpful to the province of Manitoba and to all the rest of Canada as well.

As you will note, Mr. Chairman, the province has prepared a brief for presentation here. I am sorry it was not in your hands as early as we would have liked it to be, but I am also sure you will realize that we found it rather difficult to try to survey Manitoba's position as quickly as the occasion seemed to require. I am sure our presentation is far from complete, and we could perhaps have improved it with a little more time; but at least it is an attempt to set out what we think are something of the present and future potentialities of this province.

Our brief, as you have seen, is divided into several parts. We have a chapter on population, a chapter on the labour force, and so on. We have a chapter on agriculture and other primary industries; we have trade and commerce; we have transportation; we have power; we have electrical facilities. I recognized that you have an expert in this field on your own commission, in the person of Mr. Grauer. We have a chapter on finance; a chapter on social capital requirements, and several other topics with which it is not my purpose to deal at any length.

I would like, however, to say just a word in general about one of our chief industries, agriculture; then my colleague the Minister of Industry and Commerce, who is also our provincial treasurer, Hon. Ron. Turner, will give a brief review of our presentation apart from agriculture, and my colleague the Minister of Agriculture,

Hon. Ron. Robertson, will close Manitoba's presentation with some particular remarks on the agricultural situation.

Then I must say I am glad that Mr. Turner, Mr. Robertson and I are supported by a galaxy of experts here, in the persons of Mr. Walter MacDonald; Mr. Donald Stephens; Mr. William Fallis; Mr. Clarence Shepard; Mr. Vic Stechishin, Mr. Rex Grosse; Mr. Stewart Anderson and others who, if the ministers are unable to answer any questions or amplify our position in any way, will be glad to step in and give what information they can.

In addition to that, as you will have been informed, I understand that we have briefs to be presented by the city of Winnipeg, by Manitoba Pool Elevators, by the Winnipeg Grain Exchange, by the Manitoba Farmers' Union, by the Manitoba Federation of Agriculture and Co-operation; by the Midwest Metal Mining Association; and by Sherritt-Gordon Mines Limited; by the Community Planning Association and by the Manitoba Urban Association; and perhaps there are even more than those. We are glad to have all these other organizations co-operating in placing Manitoba's position before your commission, sir, because that makes our own task a little easier.

The only general comment I would make before my colleague Mr. Turner takes over is that I think it is very fortunate that your commission comes here at a time when agriculture is finding things very difficult. I wish, of course, that the difficult time had not occurred; but inasmuch as it has occurred I think it is advantageous that you should be sitting here just at a time when a great deal of attention is being paid to that particular situation.

I am sure you have already heard and seen a great deal of the problems which we face in western Canada as a whole, and particularly the prairie provinces, in the marketing situation with regard to our grain. While I do not for a moment intend to try to analyze the various factors in that situation, I do want to emphasize now that the result has been to make the situation very, very difficult for our farmers, faced as they are with not only high but even still rising operating costs, yet with their annual income drastically reduced.

I think I can do no better in order to emphasize that point than to mention some of the figures which are set out in the brief. Admittedly some of these figures are estimates; because I am sure you know, Mr. Chairman, how difficult it is to get the figures of various groups of experts to agree when you are attempting to furnish accurate statistics. However, the figures for the first two years which I shall quote are furnished by the Dominion Bureau of Statistics, as to the net value of agricultural production in Manitoba. The last two years are not covered by the Dominion Bureau of Statistics, but we have tried ourselves to get the best figures we could on a completely comparable basis to that which was used by the Dominion Bureau of Statistics; and I emphasize that these are the net value of production of agriculture in Manitoba.

We have from the Dominion Bureau of Statistics the figure of \$220 million for the province of Manitoba in the year 1952. That is the calendar year, not the crop year; but one figure is as good as another for comparing the returns to the farmers, and I do not need

to remind your commission that these are the amounts the farmers of the province have had with which to operate their plant and make any provision for reserves that they are able to make.

That figure in 1952 was almost \$220 million. In 1953, again according to the Dominion Bureau of Statistics, that figure dropped to \$190 million. Then it is our estimate from there on, because further figures have not been furnished by the Dominion Bureau of Statistics. We estimate that in 1954 the figure dropped again to \$154 million for the calendar year; and while of course the calendar year 1955 is not yet over, the marketing situation is such that we think we have been able to estimate fairly closely, and we believe the figure will be well under \$100 million.

Those figures, I think, are very significant; \$220 million in 1952, down to less than \$100 million this year. Or taking the two years together for which we have the figures of the Bureau of Statistics, 1952 and 1953, that figure was more than \$400 million for those two years. Taking the two years for which we have done our best to estimate on a comparable basis, the figure is just around \$250 million.

That has resulted in a very, very difficult situation for our farm people, and I am sure you are aware of the many proposals that are being made and that have been made to try to relieve that situation.

It is not my purpose to comment on those at the moment, however. Perhaps my colleague the Minister of Agriculture will do that later on, because we think it is important that we should present to your

commission at its first prairie sitting something of this great and unfortunately recurring difficulty that faces the prairie farmers.

Quite frankly I do not know what is the answer, but I know your commission will give this matter, along with others having economic implications, very careful study. Here we have one of these drastic declines in farm income which have been all too frequently a factor in the prairie economy; and while I do not pose as any prophet, and I do not want to prophesy under these circumstances, and my friend the president of Alberta University certainly will be in a better position than I to assess this situation, but I think it should not be lost sight of that a large part of the prairie provinces is subject to recurring dry periods, but these figures that we have been quoting have resulted even after we have had a longer than usual period of plentiful rainfall. In some cases we have suffered from too much rainfall.

The combination we seem to be facing now, first of great difficulty in getting our grains into the market, then a lowering in prices and apparently the likelihood of a further lowering in prices, having in mind what is likely to happen taking the experience of years as a guide, with perhaps reduced crops in the face of drier periods, we fear that the farmers are facing an economic squeeze that bodes ill for the agricultural economy in the next few years unless some really definite measures are taken to correct the situation.

As I am sure you will all realize, farmers can get along reasonably well with a big crop providing they can market it, even though the price may not be very high. They can get along with a comparatively small crop pretty well, if the price is high. During the period of world war II and for several years that followed, we had a very good combination for the farmers; comparatively good crops and comparatively good prices. Now if we should be facing the other combination of lower crops and lower prices at the same time, then the difficulties we now face are likely to be very much aggravated.

My only comment there, and I know it is unnecessary, is to simply remind the commission that as far as the prairie provinces are concerned, I think this is one of the key points that we would like your commission to earnestly and seriously consider. Even as I say this I know you have already planned to do so, and that you are well informed; that you have men on your commission staff who will be able to give to this question the kind of intensive study that I think it deserves.

Now, Mr. Chairman and commissioners, I want to say again how pleased we are in the province of Manitoba to have you with us. We do recognize the beneficial effect on our economy and that of Canada as a whole which may result from your undertaking this most important study, and anything we can do to assist you in your arduous task will be gladly done.

THE CHAIRMAN: Thank you very much.

Perhaps for the record I think we should file this
Manitoba brief and label it as Exhibit 24. Now I call
upon Mr. Turner.

MR. TURNER: Mr. Chairman and members of the royal commission, perhaps it behooves a person who is going to read a document as lengthy as this one to start off with some ingratiating remark. Unfortunately the premier has already so adequately expressed a welcome to this province that that is not open to me to do, other than to echo what he has said.

Perhaps the most encouraging thing I can say is that I do not propose to attempt to read this brief in full. The course we propose to follow, with the approval of the commission, is for the Minister of Agriculture and me between us to give a summarized version of what we think are the salient points.

I do recognize that to some extent this reduces to telegraphese some of the things which we have felt were more impressive than the full presentation.

Since the termination of the second world war, Canada has enjoyed a period of rapid expansion and over the period as a whole a state of comparative prosperity. These economic factors have generally been reflected in larger volumes of exports and increased prices.

The national population has grown by more than 25 per cent.

Physical production is nearly two and one half times the pre-war level.

This economic growth has taken place concurrently with similar growth elsewhere, particularly in the United States. But these developments have not lessened Canada's dependence on foreign markets, which

dependence we find has changed very little through successive years.

Canada is still dependent upon export sales particularly of grain, newsprint, lumber and base metals, for some 25 per cent of our national income. We feel it significant that the pattern of recent economic expansion indicates a greater rather than a lesser degree of concentration on a small group of export products.

One change of major importance has taken place. I refer to the shift in our trade from the United Kingdom to the United States. This has resulted in the Canadian and United States economies becoming interdependent to an unprecedented degree, with Canada's economy becoming correspondingly more vulnerable to the influences of United States trade policies. Concurrently the United States has become more and more interested in Canada as a source of raw and processed materials. As United States needs grow in relation to the domestic sources of supply in that country, Canada will become an even more important source of supply for that great economic nation.

There are indications that the post-war transition period is now over. While we firmly believe Canada faces an extended period of rapid growth we are equally convinced that we must now adapt ourselves to a situation in which both external and home markets have become highly competitive. These circumstances are bringing to light a number of disturbing problems, problems which we feel are susceptible to reasonable

and satisfactory solution. In our opinion, it is most appropriate that you are now engaged in an examination of the complex problems of growth which face Canada today. The task assigned to your commission is great in challenge and great in magnitude. We feel most sincerely that the future economic growth of Canada may well be greatly influenced by the work and findings of your commission.

We take it that your fundamental assignment is to examine ways and means whereby foresighted public policies and private actions can result in the most favourable economic growth of Canada. We assume that conversely you will be equally concerned with factors that might impede and restrict economic development. It is our firm conviction that a study of our national problems and prospects must necessarily involve a thorough study of the regional problems of the various economic areas within the country and examination of the policies requisite to more uniform growth in all parts of Canada.

In the preparation of the Manitoba brief we have tried to avoid unnecessary duplication of the work of your staff. We have endeavoured to prepare material of value in studying the best interests of Canada as a whole. In some instances we have specifically indicated fields of study which we believe merit the attention of this commission.

It will be found that our main Manitoba government submission has been divided into nine parts. The section dealing with agriculture will be

summarized by my colleague the Minister of Agriculture and it will be my endeavour to summarize the remainder of our brief.

General comment. In recent years Manitoba's growth has been of a steady and balanced character. Though still heavily dependent on the prosperity of prairie agriculture, the province now has an important manufacturing industry, a new and rapidly growing oil industry, an expanding mining industry and a promising forestry industry. Assuming a favourable economic climate and the elimination of certain artificial barriers to free development, the outlook for economic progress in Manitoba is exceedingly bright.

Population. Taken in conjunction with other information, population trends are useful indicators of economic development. Our submission reviews the provincial population growth in some detail. Significant is the fact that in the last 5 years Manitoba's population has increased by slightly more than its own natural increase, whereas in the 20 years prior to 1950 the province retained only 43 per cent of its natural increase. We are of the opinion that the recent rate of growth will continue and that Manitoba's population will exceed the million mark by 1970 and will exceed 1,200,000 by 1980. Further, if the population of the metropolitan area of Winnipeg continues to increase relative to the province as a whole at the same rate as it has during the last 25 years, its population will reach 525,000 by 1970 and will be approaching 650,000 by 1980. A detailed discussion of the assumptions and

basis on which these estimates were prepared is included in the report.

Labour force. The number of persons gainfully employed constitutes another measure of economic activity. In Manitoba the labour force is significantly large in relation to total population. The records indicate that the percentage of the total population of the province gainfully employed is higher than the corresponding figures either for Canada as a whole or the prairie provinces as a region.

As indicated in our brief the growth of the labour force in Manitoba in the early post-war years was very rapid and in excess of the rate of increase for all of Canada in this period. Expansion in the non-agricultural group was particularly rapid showing an increase of almost 20 per cent. Particularly large gains were shown during this period by the construction industry and by the manufacturing, transportation, trade and finance and service industries. The past two decades have witnessed a marked change in the relative importance of various segments of Manitoba's labour force. On the one hand there has been a decline in the relative importance of the agricultural labour force and on the other a rapid growth in the manufacturing labour force. While it is not possible to make an accurate forecast of the industrial makeup of Manitoba's future labour force, a projection of past trends indicates that a major share of the responsibility for providing additional jobs will fall on manufacturing.

Income. In real terms, average income per

person in Manitoba has increased about 41 per cent in the last 25 years. The average per capita income received by Manitobans in the period from 1927 to 1929 adjusted for the rise in prices since that date would be the equivalent of \$806 per person at today's prices. This may be compared with an average per capita income in Manitoba of \$1,140 for the three years 1952 to 1954. On the basis of income per employed worker, average annual personal income received by Manitobans during the three years 1952 to 1954 amounted to about \$3,120. Estimates of the future level of personal income in Manitoba indicate that by 1980 income per employed person will reach \$4,388 and that total personal income for the province will be \$1,874 million.

Primary industries, except agriculture.

Manitoba's natural resources have already played an important part in the economic development of the province.

Mining. Our mining industry has grown substantially during the last 25 years. In 1928 the value of the industry's output amounted to \$4.2 million which was little more than 1 per cent of personal income in the province. In 1954 the industry's output of \$35.1 million equalled 4 per cent of personal income. A detailed analysis of current operations is to be found in our main submission.

Future developments in the mining industry are always highly uncertain but we believe there are reasonable grounds for optimism regarding the industry's future. More than \$6 million has been expended in active

exploration for nickel in northern Manitoba in the past 10 years. An ore deposit exceeding 500 million tons and averaging approximately .5 per cent nickel has been located under Mystery Lake. This represents about 5,000 million pounds of nickel. By reason of the low grade of this ore, it is estimated that in order to be profitable production would have to be in the order of 20,000 tons per day. Development of this ore body will be affected by the future demand for nickel and advancement in methods of concentrating and refining nickel.

A deposit similar to that at Mystery Lake is located at nearby Moak Lake where a 1,300-foot exploratory shaft is being sunk at a cost of some \$2 million. It is estimated that the development of a major nickel ore body in Manitoba would involve a capital outlay ranging from \$50 million to \$100 million according to the size of the operation undertaken.

Approximately 6,500,000 tons of chromite has been indicated by partial diamond drilling of several deposits in the Bird River, Bird Lake and Euclid Lake areas. These deposits are known to extend to much greater lengths and probably to greater depths than the limits thus far drilled. A conservative estimate of the size of these deposits runs to 25,000,000 tons with good possibilities of an upward revision of this estimate. These estimates may well indicate the presence of the largest reserve of chromite in North America. At the moment these deposits are not being developed because chromite can be imported more economically and because the chrome-iron ratio is below specifications now

required for metallurgical chromite.

Increased interest in lithium has resulted in renewed investigation of lithium deposits in southeastern Manitoba. It is possible that the future may see some 2,500 to 3,000 tons mined per day in this area. This would provide employment for 500 to 600 people. Development of deposits of sufficient size may well justify the establishment of a lithium salts chemical plant.

At least one deposit of copper nickel ore has been outlined in southeastern Manitoba to the point where a mining operation is a distinct possibility within the next few years, in addition to other good possibilities.

The foregoing developments are all concerned with known but undeveloped deposits. In addition we may anticipate expansion of existing mining developments. For example, at the present time the output of the Lynn Lake mine is 2,000 tons per day with good prospects of doubling this figure.

Deposits of gypsum, limestone, sand and gravel, peat moss, salt, bentonite and clay are at present plentiful in relation to the amount used and production can be expected to expand as markets grow.

Petroleum. Oil has recently emerged as a major Manitoba industry of considerable promise. The first recoverable oil in significant quantity was obtained in January 1951. Since that time progress has been encouragingly rapid. In 1951 production totalled 12,000 barrels; in 1952, 107,000 barrels; in 1953, 656,000 barrels; in 1954,

2,149,000 barrels; and it is estimated 4,125,000 barrels will be produced in 1955. The outlook is very encouraging. In the first place much of the oil-bearing area of the province has as yet not been tested by drilling. Secondly, because the established oil reserves lie relatively near the surface, drilling and production costs are relatively low. Further, the oil discoveries have been close to the interprovincial pipe line thus lowering transportation costs. Finally, both the consumer market and refinery capacity in Manitoba exceed current field production.

Forest products. The total value of primary forest products in Manitoba increased about threefold between 1928 and 1953. A considerable part of this increase is accounted for by increases in the prices of forest products. Up to the present time provincial forest development has taken place in the southern and more accessible parts of the province. It is in this area that our only pulp and paper operation is located. This plant, located at Pine Falls, is presently increasing its capacity from 200 to 500 tons per day. The greatest potential exists in the northern portion of the province. It is estimated that there are sufficient forest reserves in northern Manitoba to support two more pulp and paper mills of comparable capacity to the Pine Falls plant. These developments will, of course, be dependent upon the development of new hydroelectric power plants and the provision of new transportation facilities.

Fishing. A fact not generally known is that Manitoba now ranks first among all provinces in Canada in quantity of inland fish caught. About 90 per cent of

the industry's output is sold outside the province, mainly in the United States and Canada. Processing has gradually increased and it is predicted that within the next 10 years some 90 per cent of Manitoba's fish production will be marketed in processed form.

Fur and game resources. As indicated in our main submission, there has been a very significant increase in the production of both wild and domestic fur in Manitoba since the late twenties. The growth in fur farming has been particularly marked. In recent years the value of domestically produced furs has, for the first time, exceeded the value of wild fur production. Output from fur farms has more than doubled since the end of the war and in 1954 amounted to almost \$3 million in value. This expansion has been accompanied by the development of larger and more efficient fur farms and by a reduction in the number of farms. The value of wild fur production has varied widely as a result of cyclical fluctuations in the supply of different animal species and the irregular movement of fur prices. In recent years the value of the wild fur industry has been about \$2 1/2 million.

Reference is made in our submission to the important advances that have been made in the Manitoba government program of regulation and development of wild fur production during the past two decades. This program of wild fur management has been utilized as a model by several other provinces.

Water power. Manitoba is especially favourably endowed with water power resources. Energy requirements within the province have gone up sharply

in the past quarter of a century during which period generating capacity has been increased by 484,975 h.p. Details of both developed and undeveloped power are set forth in our submission along with an outline of the present organization of the power industry in the province. Probable future power requirements under two separate conditions are also discussed in some detail.

Secondary industries. I would now like to draw your attention to the sections of the submission dealing with our manufacturing industries. Industrial development in Manitoba has experienced two phases of rapid expansion. In the first phase, beginning with world war 1 and lasting until 1929, the development of manufacturing was related primarily to the local market. This phase was followed by a period of stagnancy during the thirties. Since 1939 manufacturing has expanded rapidly. Unlike the first expansionary phase, however, the scope of development during the last 15 years has seen the emergence of industries which serve national rather than purely regional markets.

In the period 1939-1952 the number of people directly employed in manufacturing in Manitoba increased from 24,000 to 43,000 or by some 81 per cent. The number of establishments increased by 40 per cent. Measured in terms of net value of output, manufacturing production increased from \$49 million to \$217 million. A considerable part of the increase in dollar values is, of course, the result of the rise in general prices. However, even in terms of constant dollars the rise in

the net value of manufacturing production since 1939 is 132 per cent.

Despite this growth, Manitoba and the other prairie provinces have not kept pace with the Canadian economy as a whole and in a few moments I will outline some of the methods that might be followed to encourage and intensify industrial development in this region.

Manufacturing in the province can be divided into five broad groups.

The largest group of industries is made up of the firms producing consumer goods primarily for the regional market. Because of its central position within the prairie region and because of Winnipeg's early emergence as the commercial centre of the region, Manitoba developed as a regional producing centre. A substantial part of the province's manufacturing industry, about 80 per cent, is oriented to the prairie market within which, for many products, the locational advantages are on the side of regional producers. The future growth of these industries depends principally on the growth of population and income within the prairie region.

The second major group consists of the raw material oriented industries, that is, those originating through Manitoba's situation in relation to raw materials. Important in this group are the meat packing, grain products, dairy products and non-ferrous metals industries. In all, the raw material oriented industries account for about 25 per cent of the total manufacturing employment. Although future growth of existing production processes will largely depend upon population and income changes,

there exist two factors of development which are potential initiators of growth in income and employment. One factor is the diversification of raw materials production in the region. This in turn depends upon the capital and energy invested in the discovery and production of industrial minerals, oil and specialty crops. The second development that could generate new employment opportunities in the province is the processing of existing raw materials beyond the present stage. Both developments have commenced in recent years and if the required enterprise and capital is forthcoming potential growth should be large. Examples of potentially dynamic industries in this segment are those engaged in petroleum, pulp and paper, and seed processing.

A third group consists of the railway rolling stock industry. Due to Winnipeg's position as a railway centre, the manufacture and repair of transportation equipment has always been a large factor in the employment of labour in Manitoba. With the general growth of manufacturing, the relative importance of this segment has been declining. In 1926, the industry employed over 4,000 people; in 1939 it accounted for some 5,000 out of a total manufacturing employment of 24,000 and in 1952, for some 6,000 out of the total of 43,000.

The fourth industry group, and one which has a large growth potential, is engaged in the production of industrial goods other than railway equipment. Many of the industries in this group are relatively new and some in the agricultural implements, scientific and electronic equipment, electrical apparatus fields are

experiencing a very rapid rate of development.

The fifth group consists of consumer products other than those based on regional raw materials, which have a substantial sale outside of the prairie region. An excellent example is apparel and textile manufacturing which is one of Manitoba's leading industries. From 1941 to 1952 the gross value of production of this industry grew about 212 per cent as compared with about 130 per cent for all of Canada.

The future development of industries in the last two groups will have an important effect on the future size of the regional market. Despite certain adverse factors the potential for development in these categories appears good -- especially in high value low weight products for which shipping costs and metal costs are a small percentage of value. The important factors which it is felt would operate to stimulate development are:

1. Abundant, reliable and low cost electrical power.
2. Adequate water supplies.
3. Taxes -- Manitoba has the lowest per capita provincial tax structure in Canada.
4. A favourable labour climate and an adequate supply of labour. Labour productivity, as measured by the net dollar value of output per dollar of wages, is higher for many industry groups than is true in other parts of Canada.

In the past year the government of Manitoba has completed a number of economic studies which indicate specific opportunities for development in the fields

of agriculturally based industries, metalworking, textile and apparel and plastics manufacturing. As products and subgroups of these industries which offer opportunities for expansion are listed in our submission, I will not repeat them at this time. Should this commission be interested in studying these reports, we will be pleased to make them available.

The future of manufacturing in Manitoba is bright and the province can look forward to the expansion of present industries and the establishment of new ones. It seems reasonable to assume that by 1980 gross value of manufacturing production will be in the neighbourhood of \$1,200,000,000 per annum. By that time it is also anticipated manufacturing will be providing employment for at least 85,000 persons in the province.

Distributive trade and services. Reference is made in our submission to the importance of the distribution, trade and service industries in Manitoba. Winnipeg has traditionally served as a focal distribution point for the flow of goods in and out of the prairie region. As a consequence a high percentage of Manitobans have depended directly or indirectly upon trade associated activity for their employment. As a group wholesale trade, retail trade, finance and transportation and communication services provided employment in Manitoba for over 75,000 wage earners in 1951 which represents a 42 per cent increase in two decades.

Some measure of the importance of the distributive industry to Manitoba can be obtained from data on the number employed in distribution per thousand

of population. For Canada as a whole, the proportion is 76 distribution workers per 1,000 of population. For the three prairie provinces as a whole, the proportion is 77 per 1,000. For Manitoba it is 98 per 1,000.

The importance of distribution as a source of employment in Manitoba has been rising steadily and this trend is likely to continue. There has been a slight tendency toward decentralization with a corresponding decline in Winnipeg's relative importance as a distributing centre for the prairie region. However, in the distribution-associated functions such as transportation and finance no such tendency has been evident. We, therefore, predict that the future pattern of growth in employment within the distribution industries in Manitoba will be as follows:

1. Given a continuation of prosperity, employment in distribution in Manitoba will rise at a faster rate than the rate of growth of Manitoba's population.

2. However, the rise of distribution-based employment in Manitoba will not be as great relative to its population growth as is true for other provinces in the prairie region or for the nation as a whole.

3. Winnipeg will retain its position as a distribution centre for regional as well as provincial trade for several decades ahead, but expansion of the distribution trades in Manitoba centres cannot be counted upon to provide the same measure of increased employment opportunities as is true for other prairie cities. This in turn implies that the development of secondary industry has an even greater role to fill in determining the pace

of Manitoba's future development.

Before leaving the distribution and service industries may I draw attention to the section of our submission dealing with the tourist industry. Although still in the early phases of its development, the trend in tourist volume in this province is sharply upward. During 1954 an estimated 890,000 tourists and vacationists visited the province. In the same year, Manitoba had the largest percentage increase in numbers of long-term visitors from the United States of any province in Canada. The long-run outlook on both the demand and the supply side of the tourist industry indicates that a continuation of the rapid post-war rise in tourist volume can be expected. You will note that we are estimating that within 20 years, assuming constant prices, annual tourist expenditure in this province will reach the \$75 million level. This compares with estimated total expenditures of about \$26 1/2 million at the present time.

As mentioned previously the government of the province of Manitoba has assumed that the commission is concerned with factors which impede and restrict as well as those which generate and promote economic development. It is also assumed that one of the problems with which the commission is concerned is the prospect for industrial and population growth throughout all the regions of the Canadian economy. In our opinion, maximum growth on such a widespread basis will require positive programs at both the federal and provincial level. In this connection I would like to draw your attention to those sections of this submission which indicate matters

of particular concern to Manitoba. In many instances they refer to obstacles which must be surmounted if the potential prospects of this province are to be realized.

Transportation. It will not surprise the commission to hear me state that the question of transportation is one over which we are deeply concerned. The problems of transportation have always been more keenly felt in Manitoba than in most other parts of Canada due to the obvious fact that our location requires the movement of goods over great distances. There are of course some compensating factors in that our location requires a large share of the industrial traffic of Canada to pass through this area. The correlation of Manitoba's economy to transportation development has been and will continue to be dominated by the fact that Manitoba's economy depends to a very important extent upon exports and imports both on a national and an international scale. Because of this fact, the province's primary concern is with the establishment and maintenance of lowest minimum possible transportation costs consistent with dependable service. Since the agricultural, mining, distribution and manufacturing activities of the province are of considerable importance to the national economy, we submit it should properly be a matter of national concern that adequate transportation be available at the lowest possible cost, both within and without the province. In other words, Mr. Chairman, with respect to most aspects of transportation, we feel the interests of Canada and of Manitoba are identical.

A generation ago, railways constituted virtually the only form of transportation of basic significance to

the settled areas of the prairie provinces. Railways are still the most important long-haul carriers, but they are increasingly faced with competition of new forms of transportation -- highways, airlines and pipe lines. The integration of the newer forms of transportation with the older into a smoothly complementary transportation system will be an outstanding problem in this region in the coming two or three decades. In this connection, in our brief we have submitted a statement of general principles with respect to public regulation of competition among the various types of carriers:

1. Regulation of services and rates should be held to the minimum necessary to insure that the inherent advantages of each form of transportation will accrue to the public benefit.

2. This desired result will not necessarily be achieved by uniformity of regulation, since each type of carrier is inherently different.

3. Regulation, where applied, should not be so rigid with respect to any type of carrier as to discourage maximum utilization of technological advances, but rather should enable the advantages of improvements to accrue to the public in the form of lower transport costs resulting from employment of the services of that type of carrier which is best able to perform the particular service; and, in the case of those services which can best be performed by privately-owned and operated carriers, regulation should produce a reasonable profit to the carrier.

In our submission, Mr. Chairman, we have

pointed out that, at the present time, not only are carriers subjected to varying degrees of regulation with respect to their services and charges, but the regulations are imposed by federal, provincial and local governments. For these reasons we feel it is important to the future of the national economy that an investigation be made of --

1. The extent to which regulation of each of the competing forms of transportation is desirable in the light of changing conditions,

2. The nature of regulation, if any, that would enable each type of carrier to perform that portion of the total transportation service which it can best perform, and

3. The most desirable allocation of the responsibilities for regulation as among the federal, provincial and local governments.

Highways. Although the federal government has assisted railways in the national interest, highways have traditionally been the concern of provinces. With improvement of highway vehicles, longer hauls and journeys become economically possible if the roads are adequate. The highway vehicle is in effect converted from a local carrier to a general carrier, competitive with railways. The proportion of interprovincial and international traffic to local traffic on the highways is increasing and may be expected to continue to increase at an accelerating rate.

We submit, therefore, that highway traffic and highway facilities are matters with which the national

government should be more and more concerned. Recognition of this responsibility is beginning to be manifest in the federal aid to the provinces in the construction of the trans-Canada highway and in the national park roads. But the trans-Canada highway is only one road. Within the comparatively sparsely populated areas of western Canada, many localities not accessible to the trans-Canada highway are in need of more adequate roads for both local and long-distance traffic than the provincial and local governments can provide. Furthermore, with the increasing use of automobiles in the prairie provinces and the growth of long-distance bus services, the railways are inevitably being replaced as the principal long-distance, as well as local, carriers of passengers, as they have been in the United States. This is probably to the advantage of the railways, which find passenger traffic much less profitable than freight, and distinctly unprofitable on many branch lines. Since we may no longer be able to look to the railways as major passenger carriers, an additional emphasis must be placed upon the provision of adequate highways for passenger traffic as well as for freight.

We are therefore suggesting that this royal commission:

1. Consider the extent to which the federal government should aid the provinces in assuring the provision and maintenance of an adequate highway system.

2. Consider how we might best attain an adequate highway system which would at the same time be

of maximum benefit to the railways as a feeder system and of minimum detriment to the railways as competitors for long-haul traffic.

St. Lawrence seaway. The St. Lawrence seaway project introduces a significant factor in the transportation system affecting this province. The principal objective of the navigation aspect of the seaway project is the reduction in transportation costs. If the benefits of such reduction are to accrue to the advantage of the nation and western Canada, it is extremely important that the cost reduction be spread as widely as possible throughout the economy, and not be allowed to enure principally to any special groups or regions. We submit that the question of the St. Lawrence seaway is of such vital importance to the future development of this country that it is a matter deserving of the most serious attention of this commission. In our submission we have listed those considerations which we feel are important in assuring that western Canada will share to the maximum possible extent in the benefits of the St. Lawrence seaway. They are:

1. The reductions in cost of transportation between lakehead and central and eastern Canada, the United States and overseas points, must be maximized by assuring that following removal of the natural barrier between the lakes and ocean it is not replaced by unwarranted artificial barriers such as legislative restrictions on participation in coastal, intra-lake, international and overseas trade by vessels of any particular nationality.

2. If it is in the national interest to protect a nucleus of shipbuilding and ship operating skills and facilities within the great lakes for defence reasons, the cost, over and above that incurred in providing commercial transport services at the lowest possible level of costs, should be charged against the national budget, as are other national defence expenditures. These costs should not fall upon those shipping goods or upon any other special segment of the economy. Nor we feel should such costs fall more heavily upon one region of the country than another.

3. Deepening of the connecting channels between the great lakes -- Detroit river, lake St. Clair, St. Clair river and St. Mary's river -- which is to be a responsibility of the United States, should be completed to 27 feet as quickly as possible. A bill to provide for such deepening is, we understand, before the United States Congress. It behooves Canadian interests to collaborate to the maximum possible extent in assuring prompt completion of this project.

4. Improvement of the terminal situation at the lakehead ports of Fort William and Port Arthur and deepening of the harbours to conform with seaway depth, is of primary importance. We are advised that present deficiencies in the lakehead ports seriously impair their ability to serve as the major ports for the prairie provinces and hence to assure that maximum benefits of the seaway will accrue to western Canada.

5. Even with completion of the improvements now under way, the highway between the lakehead ports and

Winnipeg, potentially the major collecting and distributing point for western Canadian seaway traffic, may prove to be inadequate for the heavy trucking traffic which may develop. Since the volume of truck traffic between the lakehead and Winnipeg will probably be considerably in excess of the volume of such traffic on the trans-Canada highway east of lakehead and west of Winnipeg, either the highway must be amortized more rapidly than other portions of the trans-Canada highway, or it will require improvement to higher standards in order to accommodate the anticipated volume of trucking. A detailed investigation of this problem appears to be justified.

6. An investigation should be made into the desirability of and possible methods of achieving joint rail-water and truck-water rates reflecting the relative advantages of each type of carrier on lakewise movements from western Canada to central and eastern Canada and the United States through the lakehead ports; and of import-export rates on rail-water and possibly truck-water movements between western Canada and overseas destinations via ocean-going vessels directly serving the lakehead. In spite of the fact that such rates would result in short-hauling, the reduced transport costs could well stimulate an increase in the level of economic activity in western Canada to the point at which the total traffic and revenues of land carriers would more than compensate for the diversion of some traffic by short-hauling.

Air transportation. With regard to air transport, it is our opinion Winnipeg's position as a national and international airport should grow. Manitoba

has a definite interest in seeing the development of further transcontinental and international air service both for cargoes and passengers. We have been concerned about the recent denial of Canadian Pacific Airlines' application for a transcontinental cargo service. We have also been concerned over the failure to grant traffic rights at Winnipeg to carriers operating from the west coast to Europe. It appears desirable that this question be re-examined from time to time in the light of long-range development possibilities and that certification of competitive air carrier routes be effected just as soon as the level of traffic appears to warrant it. In our submission you will note that we make the further suggestion that the possible certification of a competitive east-west carrier in Canada be examined at frequent intervals and that certification be made at the earliest possible time at which level of traffic appears to be sufficient to support a competitive carrier without weakening the existing system.

Aids to small business. The province of Manitoba has always recognized the vital part played by hundreds of small businesses in the maintenance of the economic prosperity of this province. In our submission it is pointed out that a significant problem as far as small business is concerned is the need for equity capital, both for initial capital expenditures and for expansion purposes. In Manitoba over 75 per cent of our manufacturing firms have less than 15 employees. It is not feasible for these firms to seek equity capital by way of issuing debentures on the money market. Manitoba

is particularly concerned with the necessity of developing new industry and, therefore, with the attendant financial problems of small businesses. Assuming the problem to be national in scope, we have suggested in our submission that the commission give this matter study and endeavour to find or recommend ways and means for stimulating the development of new and growing manufacturing establishments through the provision of better financing facilities. We have two suggestions which we believe would prove to be of assistance:

1. The corporate tax laws already provide for a lower tax rate on the first \$20,000 of taxable income. An increase in the amount to which this low rate applied would enable smaller companies to retain more earnings for expansion purposes.

2. The establishment of privately financed provincial and local industrial development corporations in Canada would be encouraged if recommended by the commission. A similar system of meeting the risk capital problem has already been evolved in the United States.

As noted in our submission, a further aid to small business would be a systematic federal program of technical and market analysis aids for smaller business. You will note we have suggested these could be developed within the Department of Trade and Commerce in Ottawa and disseminated through provincial trade development offices. Product and technical research and marketing analysis spell large increases in the overhead expenses of new and smaller firms. Such studies by a central governmental agency would be an effective device for

eliminating a significant barrier to the development of manufacturing enterprise.

Finally, we have recommended the establishment of regional research and testing facilities for secondary industry. The relatively small scale of much of the manufacturing industry provides a very real difficulty for those who are anxious to stimulate research. Canada has in the past depended, and to a considerable extent still does depend, on Britain and the United States for much of the knowledge on which technical progress in secondary industry is based. If this country's manufacturing industries, and particularly the smaller firms, are to grow and remain competitive, more attention must be devoted to research. We feel this question should be studied by your commission.

Northern development. An important phase of national policy in the future will be that concerning resource development in the vast northern regions of this country.

More than two-thirds of Manitoba lies within the pre-Cambrian shield, in territory which is virtually undeveloped within Manitoba except for scattered mining developments and the port of Churchill. Like the Northwest Territories, of which they form a physical and economic part, the northern portions of this province hold a large and yet untapped potential. Resource development in the north is limited by the rate with which detailed programs of investigation and mapping are carried out. Planning of transportation facilities to permit utilization of the resources, of course, is likewise hindered. We

believe that the most effective development of this vast potential will necessitate capital outlay and comprehensive planning at the federal level. We are also of the opinion that the provision by the federal government of additional funds to expedite and intensify programs of mapping and exploration of the topography, geology, forests and waters of the north would be amply justified as making possible better estimates of the potentialities and of the capital requirements for their exploitation.

Earlier in these remarks I mentioned our brief included details of the undeveloped water power sites in the province. The water power resources of northern Manitoba are among the chief assets of the province. The availability of electric energy at favourable costs could make a significant contribution to the economic growth of the northern regions of the province. The distance of these main hydraulic sites from Manitoba's present market sites and the current high cost of long-distance transmission combine to indicate that these sites may be capable of producing relatively low-cost power for use within the general area in which they are to be found but that they may be marginal sources of power for use at great distances. As the fullest economic utilization of the nation's waterpower sites appears most desirable, it is felt that every effort should be made to develop them. It is therefore recommended that this commission investigate the feasibility of future installations in the most northern regions of Manitoba being designed to fit into a broadly integrated system covering a wide region in the Northwest Territories as well as the far northern

sections of the other western provinces. Such an approach might well lead to the most efficient use of these remote power sources. It could also assist the development of important electro-process industries and encourage the expanded use of substitute materials and of productive output from low-grade ores in the region.

The matter of greater utilization of the Hudson Bay Railway and the harbour facilities at the port of Churchill is one in which the government of Manitoba is greatly interested. You will note our suggestion that at the proper time consideration should be given to the construction of a more direct route between Churchill and Winnipeg. Such a development would, in our opinion, materially increase the use of the port facilities at Churchill.

Decentralization of industry. We believe it would be in the interest of Canada if the industries of the nation were spread more widely and evenly throughout our country. To achieve this objective business and government must adopt policies favourable to the decentralization of industry rather than those which will lead to further concentration in one region. In our submission we have offered suggestions which include the following:

1. Increased allocations of federal geological mapping and survey funds in favour of areas in which non-agricultural production is needed to provide a greater diversification of primary production.

2. A positive program designed to encourage processing of agricultural products in the region in which they are grown. Many factors act as deterrents to

radical change in established systems of agriculture and processing. Nevertheless, the development and expansion of industrial uses of farm products is one of the most urgent problems confronting the agricultural industry in Canada. We suggest that the commission consider the advisability of the federal government assisting in the setting up of pilot plants to experiment with new uses for farm products. Such pilot plants would give assurance to private enterprise of the technical and economic feasibility of new products based on agricultural resources. This plan has a precedent in the establishment of a pilot flax fibre plant in Manitoba by the federal Department of Agriculture.

3. Transportation rates and freight classifications should not be allowed to operate as deterrents in the industrial advancement of comparatively undeveloped areas. In this regard we suggest that the commission look into the question of further development of the "in-transit" principle as it relates to industrial growth in processing and fabricating industries. In this connection we suggest:

1. That the enlightening record of the experience of the United States and the United Kingdom in this matter should be examined.

2. That where the in-transit principle is now applied on a regional basis (as on grain), consideration be given to extending the privilege to a nation-wide basis.

3. That the need for decentralization be considered:

(a) from the viewpoint of encouraging

the establishment of industries distant from the presently developed areas which are also the centres of high density population;

- (b) from the standpoint of vulnerability to enemy action in case of war.

4. That the revenue needs of the railways must be recognized .

5. And that, above all, full consideration should be given to the unusual structure of the Canadian economy in terms of traffic and to the need for the fullest utilization of the resources available for its future development.

Manitoba's policy of industrial development aims at progressive decentralization. In this connection we find that rural industries are under a severe disadvantage through the policy of combination rates imposed by the two railways. That policy imposes dual freight rates on a shipper over lines owned by different railroads: the first to the point of junction of the "home" railway with the other railway; the second from that point to destination on the road of the other carrier. Manitoba submits that this policy is injurious to the development of local industry. It penalizes a shipper who is not served with trackage on both railway systems. We are informed that this policy is not followed by American railways or in the express rates of Canadian railways. The Canadian policy treats the traffic as if it were in two parts, with the short-haul rate applicable to each part. It seems only reasonable to suggest that the

through rate should apply whether the goods travel over one rail system or two. It is our hope that this commission may see fit to recommend changes in existing railway policy regarding combination rates in the interests of decentralization of industry to rural areas.

4. Natural gas is expected to play an important part in the growth and diversification of industry within this province and region. Unfortunately delays in construction of the proposed ~~trans~~mission line from Alberta have already held up important Manitoba developments. We feel that it is imperative that early construction of the line be commenced and that when natural gas is made available the necessary precautions are taken to ensure it is sold in this province and other regions at the minimum economic price. If this is done almost every segment of the economy can be expected to benefit from its introduction. As an additional competitive fuel it will tend to lower the cost of oil and coal and, of most importance, will provide a fuel or raw material not previously available in Manitoba.

Three types of Manitoba industry in particular are expected to benefit from the availability of natural gas. They are the appliance and equipment industries, the fuel-oriented industries and the petrochemicals industries. Amplification of this point will be found in our main submission.

Research. The province of Manitoba believes that very close attention should be given to the role of research in Canadian economic development. Research activities primarily devoted to resource development are

of the greatest importance to this province. As noted in our brief there are certain fields in which research should be undertaken on a national rather than on a provincial basis for reasons of economy and efficiency. As examples we suggest:

1. Investigations to determine further economic uses for poplar and other hardwoods.

2. Fisheries research including utilization of tullibees, mullets, marias and other low grade fish.

3. An expanded program of research on long-term problems in the wild life field by the Canadian wild life service.

The final two sections of our submission deal with social capital requirements and government revenues and expenditures.

Social capital requirements. In the time at our disposal we have not been able to fully examine our potential requirements in the social capital field but an attempt has been made to make specific forecasts of Manitoba's probable future capital needs for schools, hospitals, universities, highways, electric power, telephones and housing. We trust that the forecasts set forth in our submission will be of value to the commission. The largest increases in capital requirements in the next 5 years are expected to relate to highways, electric power, housing and university education. In considering the financial burden that these expenditures will entail for the responsible area of government it must be remembered that these expenditures will meet only a part of the

public investment requirements.

Over the past five years, the provinces and municipalities across Canada between them have been spending nearly a billion dollars per year on capital projects of all kinds. The federal government has been spending perhaps half this amount annually. It is noteworthy that, in these post-war years of prosperity, the indebtedness of the provinces, municipalities and their agencies has risen from \$2.977 billion in 1945 to \$5.715 billion in 1953, an increase of 92 per cent, while the federal government debt has actually been reduced from \$18.438 billion to \$18.276 billion.

As Canadian citizens, we are pleased to find that the national debt has been reduced. It should not pass unnoticed, however, that while the national debt has been diminishing, the aggregate indebtedness of our provinces and municipalities has been increasing at an alarming rate. In short, the federal government with the largest and most secure revenue base, with the cheapest interest costs, and with the control of currency, credit and banking arrangements under its sole jurisdiction, has decreased its debt over this period. On the other hand the provinces and municipalities, being restricted to narrower revenue bases and having no control over national banking or credit, have annually been going more deeply into debt to meet their capital needs.

We have given some illustrations of trends of capital expenditures in Manitoba in certain fields which up to the present have been the responsibility of provincial and municipal governments. There are still

other provincial and municipal capital expenditure fields which could not be explored in the time available. We are very pleased to learn that the commission is undertaking a survey of social capital requirements which we feel may be one of the most revealing and rewarding results of this important inquiry.

From the figures available for recent years it appears that more than 50 per cent of the costs of the new provincial and municipal investment has been financed by borrowing. For example, in 1953, the last year of record available to us, capital expenditures of \$1.064 billion drove Canadian provincial and municipal debt up by \$559 million to a total of \$5.715 billion. Such rapid increases in the debt of provinces and municipalities can scarcely fail to draw to the commission's attention the magnitude of the task faced by these two areas of government. The commission may well be able to make some useful observations on the problem of how these social capital expenditures are to be financed and the possible role of the federal government in the solution of this question which is so vital to Canada's future.

Government revenues and expenditures.

Judged in terms of both revenues and expenditures there has been a marked increase over the past 25 years in the relative importance of government in our economy. Taxes and other revenues collected by all governments have increased from 19.1 per cent to 34.8 per cent of national income of Canada between 1928 and 1953.

Federal government expenditures have accounted

for the major portion of these increased tax requirements; its share excluding monies paid to provinces by way of statutory subsidy or tax rental agreements rising from 8.5 per cent of national income in 1928 to 22.4 per cent in 1953 while the combined provincial and municipal governments' share increased from 10.5 per cent in 1928 to 12.3 per cent in 1953.

Much of this increase in federal expenditures during this period has been due to high levels of defence expenditures and to welfare expenditures such as old age pensions, family allowances and unemployment insurance. These expenditures account for nearly 15 per cent of the overall increase. Aside from defence expenditures, most of the increase in government expenditures since 1928 has occurred in the field of transfer payments rather than in expenditures for goods and services. For all three levels of government total expenditures for goods and services have increased only slightly from 12.0 per cent of national income in 1928 to 12.8 per cent in 1953. Thus it would appear that, excepting in defence expenditures, governments in Canada today are not purchasing and using a much larger share of the output of the economy than was the case in 1928.

Municipal government expenditures during the 25-year period 1928 to 1953 have shown a significant decline in terms of percentage of national income. In spite of a rise of provincial transfers to municipalities from \$22 million in 1928 to \$215 million in 1953, municipal expenditures have declined from 7.0 per cent of national income in 1928 to 5.3 per cent in 1953.

This decline has been largely due to lower relative yields from property taxes in this period. Property tax revenues have in this 25-year period declined from 5.1 per cent of national income to 3.1 per cent possibly due to a failure to increase assessments following a period of inflation on one hand and a decline in property values relative to income levels on the other. It is felt that analysis and advice on the use of property taxation would be a valued contribution on the part of the commission.

Manitoba's budgetary position has shown considerable improvement during the past 25 years. During the first years of this period services were severely curtailed and many deficit years occurred. Today both revenues and expenditures have increased substantially. Manitoba's debt position illustrates this change. In 1932-33 annual debt interest charges, exclusive of utility debt, amounted to \$4.2 million or 30.2 per cent of current revenues; by 1953-54 they had declined to \$2.2 million or 3.9 per cent of current revenues.

With regard to revenue, direct taxes in the form of income and corporation tax and succession duties, through tax rental agreements, now provide Manitoba with 46 per cent of revenue compared with 12 per cent in 1928. There has also been a significant rise in the proportionate importance of the motor vehicle as a revenue source while liquor revenues account for a smaller proportion of revenue than was the case 25 years ago.

On the expenditure side most of the increase

in provincial government spending that has occurred relative to personal income is accounted for by larger outlays for educational, highway, health and welfare and agricultural purposes.

While it is not possible to make accurate forecasts of future expenditures, our studies clearly indicate substantially increased spending on education, health and welfare, highways and other fields. The financing of anticipated future requirements in both capital and operating costs poses a very serious problem for the province of Manitoba. Under the present division of revenues from income and corporation tax and succession duty fields the government of Canada retains about 87 per cent of the collections in these fields, turning over the remaining 13 per cent to the provinces. We feel it essential that this proportion change in the future in accordance with changes in the respective needs of the federal and provincial governments. In view of the heavy burden that the provision of social capital will place upon provinces and municipalities during the coming years we believe that this commission should reach some conclusion as to the prospective adequacy of provincial and municipal revenue sources.

Conclusion. In presenting the Manitoba submission we have attempted to speak as Canadians, not sectionalists. We have attempted to provide the commission with information pertinent to the assessment of the economic prospects of this country in the next 25 years. We have endeavoured to bring to your attention the major problems facing those responsible for Manitoba's

development. May I close with an affirmation of the great interest with which we shall await your findings on these paramount questions.

THE CHAIRMAN: Thank you, Mr. Turner, and I do congratulate you on the way in which you have summarized this very comprehensive brief which -- I do not know about all my colleagues -- I sat up until a late hour reading last night.

I suggest we adjourn for a 10-minute break and give the reporter a chance to ease his hand a little bit.

---Recess.

---After recess.

THE CHAIRMAN: Mr. Robertson, would you like to proceed?

MR. ROBERTSON: Mr. Chairman and members of the commission, since I am privileged this morning to be one of the spokesmen before you on some aspects of Manitoba's agriculture, I should like to express, along with the other minister who spoke, our appreciation of the opportunity to bring to your attention some of the more urgent problems, as we see them in connection with agriculture at this time; and outline to you briefly at least Manitoba's agricultural production figures, our agricultural position, and what we can expect from it in the future.

I might say that I have with me two of our economists who helped prepare our figures on agriculture, and later they will be available if you desire any enlargement of the observations contained in the brief itself.

Agriculture in this province is more diversified, I think, than in the other two western provinces, and the tables will indicate to you the trends that have been taking place, particularly within the last 15 years.

We might say that diversification is the keynote of our production in agriculture in Manitoba. The other keynote along with that is the fact that for many years our farmers here have recognized that in order to meet competition both in the domestic and export markets, we must strive for quality in all our products. We take considerable pride in the fact that the highest grade of milling wheat in the world today, as far as we know, is still known as Manitoba No. 1 hard spring wheat; and apart from some variations due to weather and other production factors, our farmers have maintained that quality during many years of production.

In connection with dairy products, we also take pride in the achievement of this province in producing the very highest quality of butter of all the provinces of Canada. I might say that last year our No. 1 quality butter reached 97.8 per cent of our total production. I think it important that we strive for that quality in that industry, because of our approximately 25 million pounds of butter produced annually, approximately half is exported outside the province.

The quality of livestock products still has plenty of room for improvement in this province, as

well as in others, but it has shown a noticeable improvement in quality during the last 10 or 12 years. While the number of our livestock has decreased somewhat, there is every indication at the present time that it is starting to increase again; and our people are prepared to try to meet the rigid requirements of the consuming public today for quality in livestock products as well.

There has been something of a trend away from wheat growing, which has been traditionally our main farm product, into the production of livestock and special crops. In the last 15 years production has increased of what we term special crops; field peas, sugar beets, sunflower seeds, some rape seed, flax, and crops of that nature. You will notice in our brief that we estimate our present acreage seeded to those crops at around 225,000, and we are predicting that during the next 25 years that acreage will probably be double.

These crops are of particular importance in connection with what my colleague has referred to as the location of industry in the rural parts of Manitoba. At the present time two industries are supported by special crops in the province: the oil seed industry at Altona, and a sugar refinery on the outskirts of greater Winnipeg, as well as three tanneries which are the result of the special vegetable crops grown particularly in the Red river valley.

The figures in the brief, Mr. Chairman -- and I may refer to them later if necessary -- set out more specifically what the trend has been in regard

to our production; but I think for our purposes this morning I would like to discuss some of the problems with which farmers are faced at the present time, and some suggestions we have to make to meet those problems.

Mechanization has enabled our farmers to increase their output per man and per acre very substantially, and the increasingly high level of domestic consumption of certain of our farm products has encouraged farmers to produce specifically for those demands. In fact the figures are quite significant, showing what it has meant in this province. But it poses one major problem to our farm people, and that is the quite tremendous increase in the capital investment required for purposes of mechanization and the purchase of land.

We would point out at the outset something we think highlights the farm position in this province and across Canada at this time. Comparisons were made of the value of production per unit of agricultural labour, as compared to the value of production in other types of industry in the country, and our figures show that over the past 15 years or even more, at no time has agriculture ever produced in value, or ever received for its production, more than 87 per cent of the average for all other production in the economy, and in fact has fallen very significantly below that figure at the present time. Table 2.2, I think, will point that out to you. In 1945 the ratio as between agricultural and non-agricultural was 60 to 100, we might say. It dropped off slightly just after that; it rose the following year; it dropped off again, and then in the

high production years of 1951 and 1952 it attained the ratio of 87 to 100, and then it fell again in 1953 to 65. While we do not have the data for 1954 or 1955, I think our other figures might well indicate to you that the ratio would probably be lower than any of the figures in that table.

That, I think, is the basis on which farmers will approach the whole problem of agriculture in relation to our national economy, to see what policies might be adopted or what planning might be done to enable farmers to obtain a fairer share of what should be Canada's national income.

While I would like to discuss several specific problems with you, I think that is the one I would want to stress; that we feel that our share of the nation's annual production, wealth and income is not on a par with the national average.

During the past 15 years particularly, while farmers have increased their output very substantially in this province, they have done it through approximately three different methods. One in particular is by mechanization. I might say that up until recently, Manitoba was recognized as the most highly mechanized prairie province. We have lost out in the last year or two to Saskatchewan in that regard.

I said they had increased their production by three methods. First was mechanization. The second was through more adequate rainfall and better growing conditions. The third, I think, was through the results of research. Two years ago, in conjunction with federal authorities, we made an estimate on what research had

meant in the productive wealth of agriculture in Manitoba. Our estimate was that through all the various research results, including the development of new varieties, the use of weed control chemicals and other research results of that nature, farmers had increased their production by that means alone by approximately \$62 million, or an average per farm for this province of approximately \$1,100.

That is very significant, I think, when later we will be discussing the need for even greater research in regard to agricultural production; and, as my colleague indicated, into consumption as well.

However, in dealing with the reasons for the increased output, mainly the result of the things I have pointed out, one thing that is noticeable in this province and across the west as well is that the heavy capital investment required does obligate the farmer to incur very heavy debt, both short and long term. The federal farm improvement loan policy, which was designed to assist the farmers in the obtaining of equipment, accordingly has been of very substantial assistance in this province. However, it does not allow for one condition that is always present in the farming industry; that is the temporary setbacks due to nature, particularly, that can occur. A debt that must be repaid on a three year basis is very difficult indeed when we consider the sort of conditions we have had in this province during the last 10 years.

I am referring more particularly to flooding, but as well we have had the rust epidemic, the insect

infestation, and other hazards that can reduce our crop yields for a short term.

It is our suggestion, Mr. Chairman, that the federal government might well consider extending the farm improvement loan policy, to make it available over a longer period of time. The life of the equipment purchased under this policy can be said to have an expectancy of at least 10 years, and we would suggest that the policy might be changed to consider at least a five year period, and in many cases up to 10 or 12 years. This would enable the farmer to surmount the most difficult years; the demands upon him would not be so severe, and over that period of time he could probably be sure of a sufficient return to enable him to meet this obligation. At the same time we suggest that as low an interest rate as possible on that type of credit be made available.

The other great need for credit in this province, and I think in agriculture generally, is long-term credit for the purchase of land and for the heavy capital requirements in the farm industry, in the construction of buildings and other major products that farmers require. In our brief you will notice that we estimate that approximately some 1,600 farms will change hands each year. That figure may vary somewhat; that is merely a long-term average of what will be required or at least what might be required in the way of capital for the purchase of land and equipment, particularly by younger farmers.

We have had the experience here, as other people have had elsewhere in Canada, of seeing the

operation of the Veterans Land Act. It has been highly successful in Manitoba; and we point out to you that this is partly the result of determination and good judgment of the people who administer the act and the people who take advantage of it; but at the same time many of the people who did benefit from that act did not have the same ability to make use of it as, say, a young farmer who was not absent from farming operations for five or six years. The veteran had been absent from the province for possibly five years. He was in a hurry to be re-established, possibly he had not taken the opportunity to plan his farm operation as well as a younger chap who had been on his father's farm or in some other branch of agriculture.

Nevertheless, because of that assistance and with his determination, that veteran made his plan a complete operating success, as far as we were concerned.

We think a long term arrangement of that sort would be a great benefit, particularly to the younger people who plan purchasing farms from older citizens, or who plan on taking up farming; and we suggest that it should be based on low payments, with as low an interest rate as possible, spread over a period of at least 25 years.

During the years the Canadian farm loan board has loaned very substantial amounts of money to farmers, in western Canada particularly, and I think has been of considerable assistance to many farmers. We suggest that the federal authorities might well consider a type of credit arrangement something similar to V. L. A.,

operated by the Canadian farm load board, which has the experience of years in dealing with these matters. It is presently established; and we think with the proper adjustment in policy it could be a tremendous benefit to agriculture in this province and elsewhere.

Because at this time, Mr. Chairman, our farmers are experiencing a tremendous amount of concern over the marketing of grain, we think one of the essential policies of the federal authorities must be to continue to support, and possibly even to increase their support, of what we call our secondary line of farm income. I refer to the other types of farm production such as livestock, dairying, poultry, etc.

The price support policies which have been carried out since the end of the war I think have been of great benefit to agriculture; but one of the difficulties these days is that farmers will make every attempt possible to convert those large stocks of grain into some other type of marketable product. That will usually end up in the production of livestock, cattle and hogs, and of poultry; and as a result, for a temporary period at least, large quantities of hogs and poultry in particular may come on to the market.

It is our opinion that with the very high level of income in pretty well all other fields of endeavour, farmers are entitled to ask for supports that will maintain the prices of these products at least at their present levels. We think this is most essential if we are to get through this difficult situation in regard to the movement and the marketing of our cereal grains.

At the same time we are most anxious that the federal authorities make the fullest possible use of the Export Credits Arrangements Act, and the powers they have under that legislation, to assist our prospective customers in other countries to purchase both our grains and our other farm products. We think this is most essential, not only with that act but with any other policy or legislation the federal authorities have to assist agriculture in this emergency.

Now, Mr. Chairman, my colleague the Minister of Trade and Commerce referred in passing to agricultural research. At the present time both federal and provincial authorities, as well as private agencies, are supporting agricultural research in this province on quite a substantial scale. I might say that only recently the science service branch of the federal Department of Agriculture agreed to construct a new laboratory on the campus of the university. At the same time the province is giving very substantial assistance toward different types of research of direct concern to different branches of agriculture.

We are somewhat concerned, Mr. Chairman, to make sure that our respective policies will be coordinated. We think it is essential that we have clearcut ideas on where our farm research is headed in these two different fields. We have the feeling that the field of the provincial government with respect to agricultural research should be those problems that are more or less indigenous to Manitoba itself, and that the federal program should be aimed

at research in those fields that present problems on a larger scale and apply either to all of Canada, or to substantial portions of it.

We acknowledge the tremendous benefit that rust research alone has brought to western Canada, and we trust that the federal government will continue and even expand the research work it is already doing in that particular field. But we do suggest at this time that every effort be made to see that our various levels of research that presently exist, including our two governments and other agencies, be coordinated so that they complement one another rather than duplicate or imitate each other.

Now, Mr. Chairman, I have one other problem with which I want to deal this morning, to some extent, because it is a problem with which my colleague the provincial treasurer will be greatly concerned, because it involves or can involve very heavy capital expenditures during the years.

I refer to the problem of water control.

I am sure, Mr. Chairman, your commission must be aware of the fact that this province is the recipient of water from as far west as the Rocky mountains; from certain states of the United States, and from part of Ontario. I could name the particular streams that bring those waters in, starting in the northwest with the Saskatchewan river, the Assiniboine river; further south the Qu'Appelle, Pipestone creek; the Souris; the Pembina; the Red river and the Winnipeg river on the east.

All those streams, together with certain smaller tributaries, discharge their waters from that great watershed into the lake system of this province, and eventually out through the north end of lake Winnipeg into Hudson bay.

Our problem is trying to deal with that water after our neighbours have sent it down on top of us. I noticed that recently Saskatchewan was claiming great credit for the very expensive drainage system it put in this year, because of very adverse moisture conditions in the eastern part of the province. I think it should be recognized that whatever drainage they boast about comes down on us and causes problems here, which problems cannot be solved by drainage alone.

We have stressed repeatedly and continue to stress that as a province we have no control over waters outside of our own boundaries.

We suggest in all seriousness that the federal authorities should assume much greater responsibility for the control of such waters. At the same time we also feel that as the result of expensive policies there may be and even has been flooding from time to time, there is a need for a very heavy outlay in regard to maintenance.

The proper operation of these projects, flood control projects and irrigation projects, depends to a very large extent on proper maintenance. Under the present system apparently it is not possible for the federal government to participate in this cost of maintenance. It is the responsibility of the province and the municipality. I think you would recognize that

structures that may cost in the neighbourhood of \$10 or \$15 million are much beyond the capacity of a municipality to maintain. I am sure my colleague would certainly argue they are beyond the capacity of the province to maintain.

Many of these projects are involved. We suggest that on those projects that are devised to control waters which rise and flow across the boundaries of one or more provinces, the federal government should assume at least a share of the maintenance costs, just as in many cases they bore a substantial share of the cost of construction.

The proper management of the water of western Canada, I think, is one of the keys, and perhaps the main key, to the diversification of production in agriculture over the next 25 years; and we think too much attention cannot be paid to this problem and to the possibilities that may follow if this water is properly controlled and utilized to the benefit of the west as a whole.

In dealing with some of these problems in a very brief way, Mr. Chairman, I hope you will feel free at any time later to direct questions regarding the brief itself, because we have the officials here to deal with them. But in dealing with these problems which I think are of major and almost immediate concern to the people of Manitoba, I would just like to sum up what I have had to say in the following few remarks. Agriculture, as one of the great producers of primary products for our Dominion, affects the welfare of every individual in our

country and should be of concern to every level of government. Experience has taught all of us, I am sure, that throughout the history of our Dominion and of our individual areas, when the state of agriculture is prosperous the entire economy benefits and when agriculture suffers, the impact is felt by all Canadians. There is every reason to argue that the large body of Canadians and of Manitobans engaged in the farming industry are entitled to an equitable share of our national income. Our farm people are prepared to recognize that dealing with our economic problems on a national, provincial and municipal basis, the rights and responsibilities of all sections of our economy must be given proper consideration. At the same time, agricultural producers have reason to argue that it is seldom, if ever, that our agricultural producers have ever achieved, even temporarily, a position of equality with their fellow citizens.

Our aim in speaking for agriculture is an attempt to advise your commission on those matters that you might consider in order to give farm people the same opportunities under our democratic system as any other Canadian enjoys. Insofar as economic planning, governmental legislation, and other policies are concerned we deem it essential that agriculture be assured a proper and reasonable share in the economic opportunities that this great country should realize over the next 25 years.

Thank you.

THE CHAIRMAN: Thank you very much, Mr. Robertson. Now perhaps you will give us a moment to organize our questioning a little bit. Mr. Turner

and Mr. Robertson, we thought perhaps the best way to ask our questions, if it is agreeable to you, would be to follow the order of the brief, perhaps starting with the sections other than agriculture and ending up with any questions we would like to ask on the agricultural section later. If that is agreeable, probably we might start with the section on mining.

What we have done in other cases, and it has seemed to work out reasonably well, is that each of us asks questions that have occurred to him under the heading of mining, for example, and then we move on to another section of the brief.

In order to start the ball rolling I would like to ask you, Mr. Turner, this question. On pages 46 and 47 of the brief it outlines the current mining outlook; and the first mines referred to, naturally, are the mines in the Flin Flon area, particularly Hudson Bay, in which you state there are reserves which would provide production for about 15 years for the presently employed 2,700 people.

This is a problem which applied in other mining towns and camps throughout the country, and I think it would be useful to us to know how many people are directly dependent upon the operation of the mines in the Flin Flon area. There are 2,700 people employed, but how many would there be in addition? Would you have a rough idea?

MR. TURNER: I am a little embarrassed, in that I thought we had the system arranged whereby the questions with which I could not cope -- and that will

be most of them -- would be picked up by the appropriate wizards sitting behind me; but somehow in the shuffle the one wizard has been carried off; whether it was the result of how I mangled his material, I do not know.

THE CHAIRMAN: Then suppose we ask you this question after lunch.

MR. TURNER: On this I think the only kind of answer I could give is that Flin Flon itself as a town runs to a population of something in the order of 14,000 people, I believe, and they would be very largely concerned with the activity arising from the particular mine itself.

THE CHAIRMAN: I wanted to ask one or two other questions about the smelter, but if you like perhaps we might ask them after lunch.

MR. TURNER: I think it would be more productive and would give you better answers if we leave the mining questions until after Mr. Cowan is located.

THE CHAIRMAN: Very well.

PREMIER CAMPBELL: In the meantime I think it would be correct to say that what Mr. Turner said would voice the opinion of all of us, even the expert, Mr. Cowan, who is now coming in, that that town as a whole is built completely around the mining industry.

You will be acquainted with such towns. There are jewellery shops; there are filling stations; of course there are merchants of all kinds, but the nucleus or the base is certainly the mine.

THE CHAIRMAN: It is a basic problem

with a town that is dependent on a wasting resource. As everybody knows, the costs and wastes involved when a town of that size and that type ceases to have a reason for being, are tremendous.

PREMIER CAMPBELL: It is a fact, too, which I am sure Mr. Cowan would likely give if he were answering that question, that one of the factors involved is the fact that the rates of wages are so high while the mine is operating; the standard of living is high; the community develops rapidly and to a high standard. Thank goodness, as I think Mr. Cowan will be able to tell you, the company itself is carrying on exploratory work, even apart from what the federal government and our government are doing. That company itself is carrying on extensive exploration, and we hope and trust that it will be productive of new areas. Perhaps I would not be misunderstood if I said that we also hope and trust that the new areas they find will be in Manitoba, on our side of the boundary rather than on the Saskatchewan side.

THE CHAIRMAN: I do not think you would be misunderstood.

PREMIER CAMPBELL: At present they are mining more on the Saskatchewan side than on the Manitoba side. That operation straddles the boundary, as you know.

Now Mr. Cowan is here, Mr. Chairman.

THE CHAIRMAN: Mr. Cowan, I noticed in the brief that you state that as the ore supply would eventually decline the smelting and refining operations

would probably be continued, because it would pay people to bring the concentrates to the mill.

We had one other example of that which was presented to us in Mayo, in the Yukon, where they ship their concentrates I don't remember how many thousands of miles or hundreds of miles; but in this case, what would be the extent of the area on which this smelter would draw? Would it be all of northern Manitoba and Saskatchewan?

MR. COWAN: All of northern Manitoba, Saskatchewan, and possibly the southern portion of the Northwest Territories. There is a very large field which extends north from Flin Flon. They have found new deposits in northwest Manitoba and southeastern Saskatchewan, and it also extends conceivably into the Northwest Territories. There is a very large portion of the province still to the north of this which is in the pre-Cambrian shield, all of it a potential hard rock area. If and when that should be developed of course will depend on a lot of different factors; the price of metal, transportation, electric power and the demand for that type of metal as well. But there is a big field for expansion, due to the cost of erecting a plant. As it is now served by ample power, there is quite a substantial field in which it could continue to operate, even if the present resources might be completely used up.

As the premier pointed out, however, the company is spending approximately \$2 million a year in additional exploration, and they have had

some very reasonable success with that too.

MR. GRAUER: There is comparatively little in the way of transportation at the present time in the area which you have outlined.

MR. COWAN: There is no transportation now north of Flin Flon, except over east. The Lynn Lake road runs from Sheridan up to the Lynn Lake mine. That covers more or less the central portion, but there is no means of transportation east and west. There is a road from Co-op Point and Reindeer Lake to Lynn Lake, but it is pretty well a winter road and would require a great deal of improvement before it would be an all weather road or could carry the heavy traffic that would be used in that kind of venture.

MR. GRAUER: Is that the only smelter in Manitoba?

MR. COWAN: Yes.

MR. GRAUER: Has there been any talk of other smelters in the Saskatchewan-Manitoba area?

MR. COWAN: There has been some suggestion in that connection. There quite possibly might be one in eastern Manitoba, in the southeastern part; that is in the Bird Lake and Cap Lake area, where these deposits are developed. They may have to have a smelter, although the cost of a smelter, as you know, is very substantial, and frequently they find it more economic to ship the raw material to the smelter rather than construct one of their own.

THE CHAIRMAN: On the development and exploration side, the companies themselves are all

doing a considerable amount of exploring?

MR. COWAN: Practically all the larger companies do a certain amount of exploration on their own.

THE CHAIRMAN: How are the new techniques and methods working out? Have they made it substantially easier than it used to be?

MR. COWAN: Well, it is likely a good deal more accurate. With the new techniques the prospector of today can go into the field, and he can also offhand eliminate certain areas, so he can confine his efforts to smaller areas. The airborne investigation is one of those we had two years ago; and a great deal of use has been made of the maps we were able to produce from that investigation, by the prospector in the field. It has made the venture of prospecting perhaps not quite so hazardous as it was previously. It has eliminated some of the hit or miss venture which was a natural part of the old system.

THE CHAIRMAN: Is the problem still the same as far as areas with a heavy overburden are concerned?

MR. COWAN: That problem is still the same. Certain of the more up to date techniques can possibly give a better indication of what may be underneath heavy overburden, but it is still a very difficult problem to come up with exact information.

THE CHAIRMAN: And you have still to get rid of the overburden?

MR. COWAN: Yes.

MR. GUSHUE: Is there any program of geochemical prospecting in the province?

MR. COWAN: Very little at the present time.

THE CHAIRMAN: In one of the briefs that has not yet been presented to us there is a roundabout suggestion that one of the advantages of building more railroads is that it is a method of removing the overburden, and therefore it is a way which makes prospecting a little easier. It did strike me as a rather expensive way of achieving that particular objective.

What I am looking for is whether there is any other theory or approach that is being used or is being thought of which might be a substitute for the building of more railroads for that one purpose.

MR. COWAN: Many of the mining companies today, of course, employ prospectors on salary. Possibly the day of the old type of prospector is passing; but generally speaking, in addition to the salary the prospector these days is paid an incentive reward or bonus, which does spur on the prospector. They do a very substantial amount of exploratory work in that way. In addition, of course, the province sends out parties every spring, usually consisting of university students in their third and fourth years, and the dominion does the same on a smaller scale.

THE CHAIRMAN: They are largely restricted to places where there are outcroppings of rock?

MR. COWAN: Generally speaking.

We do use our aeroplanes, of course, to transport them to fairly remote areas; but unless there is an outcrop for them to work on they are under a very great handicap.

MR. STEWART: It is sometimes said that in spite of all the activity and exploration we really have not greatly added to our knowledge of the natural resources in, you might say, the past 25 years. There have been developments as the result of proving up resources which were previously known, but it is said that we have not greatly added to the actual knowledge of new resources. Would you say that is so, or what success have you had?

MR. COWAN: I would think that statement would be substantially correct, that we have not added too much to it in the last 25 years.

PREMIER CAMPBELL: Lynn Lake is an exception.

MR. COWAN: Yes; possibly as the premier has mentioned to me, Lynn Lake might be considered an exception to that. That was a new area that was brought in some years ago. That lay dormant for a fairly long period of time, until the nickel market reached a point where it was considered wise to develop it.

MR. STEWART: Then could it be said, looking ahead say another 25 years, that we could not really count on discovering actually new resources?

MR. COWAN: Oh, I would think so. I would think that the ore is there awaiting discovery; and, as you know, it only takes one discovery to bring

a great many new mines into operation in that field and in other fields as well. Just one find will tend to create an atmosphere in which other finds will develop; so with the pre-Cambrian shield covering a substantial part of our province, as it does, we could develop very, very substantially in the next 25 years.

MR. STEWART: Is the fact that we have not added greatly to our knowledge in the last 25 years, then, due to the circumstance that we have not done enough in the way of exploration?

MR. COWAN: That could be the answer, that we have not done enough; yet at the same time the development must go more or less hand in hand with the demand for certain types of metals. Unless the demand is there, there is not too much incentive for the prospector to discover it, or maybe not sufficient incentive for capital to develop the mine. So development in that sense to a certain extent is tied in with supply and demand.

MR. STEWART: We just believe that the pre-Cambrian shield has resources all over it; is that it?

MR. COWAN: We believe that there are unlimited minerals awaiting development in the pre-Cambrian shield, and that as time goes along and the demand for the different metals is created, there will be a tremendous development in the northern part of our province.

MR. GRAUER: These incentive clauses in the prospectors' agreements. Are they satisfactory

from the point of view of the personal income tax, for instance?

MR. COWAN: I am afraid I do not get that question.

MR. GRAUER: You referred to an incentive clause in the agreement of the average salaried prospector. Is that ~~working~~ out satisfactorily as an incentive, and does it rate all right from the point of view of the personal income tax?

MR. COWAN: Oh, I think so. I think generally speaking it has been very satisfactory. The prospector of today has a sense of security which he possibly never had under the old system. On the other hand, of course, there was always the possibility that he would strike a big mine. That possibility would drive men out into the wilderness for months at a time, where they would endure great hardships. Nowadays the ordinary party will be serviced by the aeroplane of the mining company or the province or the dominion, whichever it is, so that has taken a lot of the hardship out of it. Yet there is a sense of security and a more secure income than the prospectors of old ever had.

MR. GRAUER: You feel that the system is working well?

MR. COWAN: Yes.

THE CHAIRMAN: In your brief you mention that the question of royalties presents a complex and difficult problem. I had the impression that while you raised the question, you thought the present system was as good as you

could get. Is that a fair interpretation?

MR. COWAN: I am not too much surprised at you getting that impression from reading that part of the report. Actually we had started on some investigation in regard to royalty charges, possibly with the idea of attaining uniformity across the different provinces. Then toward the end of our statement we were fairly reasonably well satisfied that no particular outstanding change was necessary; that, to a certain extent at least, the royalties are reasonably uniform across the dominion; that the companies are familiar with them, and that any change to be acceptable would have to be more or less a change all across the country.

Many of the companies, as you know, operate in different provinces, and when they had different royalty situations in different provinces it would complicate the financing of their company activities, and so on.

THE CHAIRMAN: Then I would suggest that we adjourn now until 2.45.

---At 12.30 p. m. the commission adjourned.

---At 2.45 p. m. the commission resumed.

THE CHAIRMAN: Well, gentlemen, shall we come to order? Dr. Gushue, you were going to start with some questions which you wanted to ask.

MR. GUSHUE: Just a small question on the oil section of the brief, at page 54, which was also referred to this morning. This is the reference in the brief:

"A number of economic considerations favour the development of Manitoba's oil industry. The reservoirs of oil are relatively shallow and in consequence drilling and production costs are relatively low. Further, the oil fields are close to the Interprovincial pipe line, making transportation readily available. Finally, both the consumer market and refinery capacity in Manitoba exceed local production, a situation that is likely to continue."

I take it that is a limitation rather than a target?

MR. COWAN: That is true. Consumption in Manitoba at the present time is approximately 20,000 barrels of crude per day. We are producing at the present time slightly under 15,000 barrels a day, and the refinery capacity is approximately 24,000 barrels a day, so there is still some gap there before

we can reach the capacity of our present refineries.

MR. GUSHUE: If you did find other fields of course you would expect to go into the export market?

MR. COWAN: Definitely.

THE CHAIRMAN: Are you optimistic about the future as far as discoveries are concerned?

MR. COWAN: I hope not too optimistic, but we are certainly optimistic as far as oil in the southwestern portion of the province is concerned. It has made very rapid advances. Our production, of course, is very small compared to that of Alberta, but Alberta has had a 25 or 30 year start on us. The first commercial well did not come in in Manitoba until 1951, and since then there has been a very steady increase in the consumption and production.

MR. STEWART: I had a question which is perhaps somewhat related, having to do with natural gas. The reference is to page 81 of the brief, where this statement is made:

"It is equally important that when natural gas is made available the necessary precautions are taken to ensure it is sold in this province and other regions at the minimum economic price."

What have you in mind by the "necessary precautions"?

MR. COWAN: That section, sir, very definitely relates to the export of gas from the province of Alberta to other parts of Canada, including

Manitoba. We are naturally interested in seeing that when it is brought into Manitoba it will be sold at a price which industry and others will be able to pay; that is, that there should not be too much cost added to the wellhead price of the gas to get it to the point where it is ultimately consumed.

MR. STEWART: You have no further thought after that?

MR. COWAN: No, sir.

MR. STEWART: What is the cost per B. T. U. of coal here in Manitoba?

MR. COWAN: We do not produce any coal of any account in Manitoba.

MR. STEWART: I am just trying to get at the competitive price.

MR. MacDONALD: Perhaps I can give you that. The cost of Estevan coal, which is the coal closest to us, is \$1.90, I think, at the mine. The freight rate is \$2.90, which would make it \$4.80; and the B. T. U. content is between 6,000 and 7,000.

MR. STEWART: You might have finished the simple arithmetic.

MR. MacDONALD: Say \$5 for roughly 7,000 B. T. U's.

MR. GUSHUE: There was a reference to fur farming and its possibilities. What types of fur farming are being carried on?

MR. COWAN: It is mainly the mink. That is the fur that is produced in captivity. We did have a large production of foxes here at one time,

but the fox went out of fashion and very few of those are produced now. It is mainly mink.

MR. GUSHUE: The premier of Newfoundland will be sorry to hear that.

MR. GRAUER: What feed do you use for the domestic mink?

MR. COWAN: They use some horse meat, some meal, and they are now beginning to use a good deal of fish. I think it is the possibility of being able to use fish that is increasing the number of fur farms in Manitoba. Many of them are located on the borders of our large lakes, where a certain amount of rough fish and offal and so on is readily available. The only hindrance there is the matter of the refrigeration which is required, and some of them have reached the point where they have a certain amount of refrigeration of their own, so they can carry the article over for the winter season.

MR. GUSHUE: Is there a whale fishery of any proportion in Hudson bay in the summer?

MR. COWAN: There have been a few, spasmodically. That is under the dominion, of course, being ocean fishing; but it has not been too well received. A number of them have been taken, and they have tried to process them to oil and so on; but the matter of transportation is quite an item, in addition to the cost of the machinery that is necessary to handle the processing and so on.

MR. GUSHUE: I was thinking of it as a source of feed for mink and so on?

MR. COWAN: Practically none. It has been used here. They have used some small amount, a very little; but it seems to abound in fat, on which the mink do not seem to thrive as well as on the other types of feed.

MR. GUSHUE: There are some rather interesting observations on the question of transportation. I wonder if they might be elaborated a little, perhaps for my benefit, but also so the other members may understand.

On the question of carriers, it was said that they were too much regulated by different authorities and that the system needed clarification. Then shortly afterward, I am not sure of the page of the brief -- I think it was 86 -- the expression "against water carriage regulations based upon nationality" was used. In that connection I was wondering whether the foreign subsidization of carriers, that is water carriers, had been considered. Is that too involved a question?

MR. TURNER: I would ask Mr. T. D. Shepard, who has been acting as counsel for us on transportation matters, to answer that.

MR. SHEPARD: If I understand the question correctly it is whether the cost of constructing and operating foreign shipping has been a matter of concern, and suggesting that possibly the Canadian shipping industry should be protected?

MR. GUSHUE: No. The expression "against regulations based on nationality" was rather

clearly used in the brief, and I was wondering at the time if the question of overcoming the subsidization of carriers of other nations was taken into account there. I understand it is fairly generally pursued.

MR. SHEPARD: Yes, it is; that is quite right. The Manitoba government did make quite an extensive submission to the current royal commission on the coasting trade. It was felt by the government's advisors at that time, the two gentlemen who gave evidence for the government, that if the present law were left unchanged, which would permit all commonwealth vessels to engage in the coasting trade of this country, even though say a British ship is less expensive to build and less expensive to operate, the Canadian shipping could compete largely because of its increased capacity and its increased efficiency for the peculiar type of lake job that has to be done in this country.

This is not a view that is universally accepted, but it is the view that was submitted; and it was submitted with documentation.

MR. GUSHUE: I may be wrong, but I thought the expression was a little broader than that. I thought it would take in other nationals. At any rate it is not intended to be broader than that, is it?

MR. SHEPARD: Perhaps I should explain that the viewpoint put forward to this other royal commission was that the present coasting law should not be made necessarily broader than it now is,

because it is now confined to commonwealth shipping. But it was felt that the royal commission should investigate the advisability of opening it up to other than commonwealth ships; that is, to foreign ships.

MR. GUSHUE: Then I would refer to the other part of my rather double barrelled question, the reference to the regulation of carriers -- not necessarily ocean carriers -- by more than one authority, and the suggestion that it needed clarification. Are there any suggestions as to how it might be clarified?

MR. SHEPARD: At the moment I think it would be right to perhaps just mention the problem briefly.

Railways traditionally have been regulated by the board of transport commissioners under the Railway Act. The air lines are regulated under the Air Transport Act by the air transport board, which has somewhat less judicial functions than the board of transport commissioners, in that it only has power to recommend to the minister. It has not power to make an award.

As the result of a constitutional case which was decided by the privy council, I think about two years ago, it turned out that whereas the provinces had been exercising or attempting to exercise jurisdiction over interprovincial highway movements, they did not have that constitutional power.

So an act called the Motor Vehicle Transport Act was passed by the federal parliament about a year and a half ago, under which the federal government has exercised its jurisdiction by naming the provincial motor control boards as federal boards for the purpose of carrying out the federal jurisdiction.

There are many practical problems in trying to have a pattern of regulation for those three alien types of transportation without conflict. Your question, to get down to it, is whether we have any suggestion as to how the conflict could be resolved in the most efficient way?

MR. GUSHUE: How the clouds could be lifted.

MR. SHEPARD: Yes. I do not believe there is a quick and ready answer to that question. The interprovincial highway problem is a current one at the present time. Premier Campbell called the first provincial meeting after the new federal legislation was passed; and I read in the newspaper the other day that he recently made a speech in Vancouver suggesting that there will be another meeting on that subject in the near future by the provinces.

I think we are in a state of growth of long haul transportation by highway; and the problem regulation-wise certainly is not resolved as of today. Whether it can be resolved in the manner presently provided by the legislation I think is a sixty-four dollar question. I am not certain that it

can, but really only time will provide the answer. It may be that a federal type of regulation is necessary.

PREMIER CAMPBELL: I might just add to what Mr. Shepard has said, Mr. Chairman, that we are quite prepared to give the present legislation a trial in the logical course of events and see what will be our experience; but a plan that we have suggested and that we think has merit is that perhaps a constitutional amendment to return the jurisdiction in fact to the provinces might be necessary.

MR. GRAUER: I would like to ask for some clarification of a general statement made on page 71, with reference to possible electric power development, where it is recommended --

-- that this commission make a very thorough investigation of the feasibility of further installations in the very northern regions of Manitoba being designed to fit into a broadly integrated operation covering a wide region in the Northwest Territories as well as the far northern sections of the other western provinces. Such an approach would appear to hold great promise for the most efficient use of sources of electric power."

Could I have some elaboration on just what is in mind there?

PREMIER CAMPBELL: Mr. Stephens, I think,

will amplify that, Mr. Grauer.

MR. STEPHENS: Mr. Chairman and gentlemen, perhaps a word of background here might be helpful.

We have in the northern part of the province a very considerable resource of undeveloped hydro power. This power does represent comparatively low cost energy to any consumers at or near the hydro-electric sites.

On the other hand this power is so remote from our present markets that it will be marginal or perhaps submarginal for export within the territory.

This is simply a reminder that there is a relative abundance of energy in some of our northern regions that may have value if uses can be found for it in those regions, but the value of which would be questionable for export from the regions.

MR. GRAUER: Do you include all three of the larger northern rivers, the Seal, the Churchill and the Nelson?

MR. STEPHENS: I would say this applies particularly to the Churchill and the Nelson. The Seal, as you will notice from the figures there, does not constitute large sites. They are from 25,000 to 30,000 h. p. sites that are close to Hudson bay and may have developmental possibilities in connection with resources for processing and for ocean shipping.

The Nelson and Churchill river power, on the other hand, is quite far inland; and this is simply intended to be a reminder that there are large scale resources there in the territories that are

in relatively favourable mining areas within which, too, there are large low grade ore deposits. It is contiguous to the eastern part of the Northwest Territories, which also have promising mineral possibilities.

I would put it to you another way; that the energy sources closest to the eastern portions of the Northwest Territories will be found to be the large undeveloped hydro power of the lower Nelson basin and the lower Churchill basin.

MR. GRAUER: There is no specific plan; it is just the juxtaposition of power and minerals?

MR. STEPHENS: That is correct.

MR. GRAUER: Do I take it that there is some doubt that the Nelson river would be usable in the greater Winnipeg area?

MR. STEPHENS: I would say there is very considerable doubt.

MR. GRAUER: Then would that mean buying steam power, thermal power, for some time?

MR. STEPHENS: It could mean that. If I could put it to you this way, Mr. Grauer; our back to the wall position, so to speak, for power supplies in southern Manitoba would be power produced from steam plants burning conventional fuels. That is the yardstick against which we have to measure any of these northern sites.

At the moment we are examining a hydro-electric power site on the Saskatchewan river which

inherently is not a high cost development. On-site costs will not be unreasonable by present-day standards; but when we add 270 miles of transmission to that, it will be nip and tuck as to whether that power can be delivered here at costs lower than the cost of producing it from steam.

The Nelson river is 125 to 150 miles further. That is the closest site, and we do not know as much about the Nelson river sites as we do about the Grand Rapids site on the Saskatchewan river; but we have no great reason to believe that the Nelson river sites are inherently more economic sites than the Grand Rapids site on the Saskatchewan river.

So I would have to answer that the economics of transporting Nelson river power to southern Manitoba are far from being established.

MR. GRAUER: The outlook at the present time, then, is for an averaging up of power costs in Manitoba?

MR. STEPHENS: I would say the outlook is for increasing the proportion of steam-produced power for the short run, to be melded with our hydro-electric we are producing now, and an upward trend in the cost of power.

MR. GUSHUE: There was a somewhat analogous matter under the heading of water control brought up, in which it was suggested that the federal government ought to assume greater control and have greater participation in the construction and maintenance and so on of such projects. Has that

been suggested, or is this a purely new point?

MR. ROBERTSON: That has been suggested in the past. I might say that at present in Manitoba we are operating three specific water control projects. They are a combination, in some cases, of not only flood control but of land reclamation; and in each case the formula varies.

For instance, in the Le Pas area in south Saskatchewan, the Carrot river and the Pasquoi river, we have an agreement whereby the federal government is putting in the works, but the lands reclaimed are divided equally, after certain conditions are met, between the federal and provincial governments.

We have a second arrangement in connection with what we call the escarpment region, where the federal government pays half the cost and we guarantee the other half. We may share some of our costs with the municipalities which benefit, but the province assumes the major portion.

We have a third agreement under which construction is being carried out in the Pipestone creek area in southwestern Manitoba, whereby we subscribed a fixed amount of money and the federal government has agreed to pay a little more than half, but there is no provision as yet if the costs exceed what we thought the project would cost in the long run.

We are looking for some fixed arrangement with respect to the various types of streams, under

which we can distinguish between those waterways that arise outside the province and those that are a straight provincial waterway.

In the case of inland streams, or intra-provincial streams, I suggest the province recognizes a good deal more responsibility. As to the streams that arise outside the province, we feel the federal government should assume all or a major part of the cost of flood control measures, and that the federal government should consider assuming a part of the long-term maintenance cost as well. I have an example to give you in that connection, of a project we have in southern Manitoba. I am referring to the Morden dam. It was constructed completely by federal funds; I think \$350,000 was the ultimate cost. It is designed to assist agriculture by way of a water supply, and the assistance it gives to special crops and things like that; but the long-term maintenance problem at that dam may be a very expensive feature of it.

We think a review should be made of the maintenance cost element of these projects, with some idea of sharing that cost between the two senior governments, or if necessary among the three various levels of government.

We do not suggest any formula, but in one of its later pieces of legislation I believe the federal government did suggest a formula. I refer to the Canada Waters Conservation Assistance Act which was passed two or three years ago. That had particular reference to some industrial sections of

Ontario, and the formula in that legislation was that 25 per cent of the cost of the projects was to be paid by the local authorities, the municipalities involved, with the remaining cost split equally between the province and the federal government.

From our experience here it is doubtful whether that type of formula would apply to all regions of the country. Certainly we think there are parts of the west, including Manitoba, where that formula would not be too practical; and we suggest that the whole picture should be reviewed with the idea of revising it to make it apply effectively and fairly across the country.

MR. GUSHUE: You have cases where the approach is made by more than one province, where the rivers cross provincial boundaries?

MR. ROBERTSON: We found, as a matter of fact, Mr. Chairman, that many of our streams arise even outside Canada. Some of them arise in the United States. In connection with the streams which arise in Ontario and in Alberta and Saskatchewan, we have found that unless those streams were causing flooding in those areas, they were not too concerned about flood control features.

Take the Assiniboine river, which causes very little damage in Saskatchewan but merely has its source there. The damage is caused along almost its entire length in Manitoba. I could not give you the exact mileage in this province, but from Portage to Winnipeg it is estimated to cover about 300 miles,

and this is one section that causes a tremendous amount of loss in different years. Saskatchewan, of course, is not too concerned as long as it is getting rid of the excess waters. They do not worry too much about what happens down here.

MR. GRAUER: In connection with the control of such waters, where the results fall within Manitoba, has any study been made at all, or is that one of your problems?

MR. ROBERTSON: That is one problem. There has been some study made of some of these streams. I believe there is a study going on at the present time of the upper reaches of the Assiniboine, but as far as I know there has never been any overall study all across the west.

There is in fact in Alberta the Eastern Rockies Conservation area, which has to do with the headwaters of the Saskatchewan river system. That conservation area is operated by an arrangement between the federal and provincial governments; but as far as I know there never has been any comprehensive study made of this overall water picture in the prairie region.

MR. GRAUER: Are you suggesting that the federal government should take that responsibility?

MR. ROBERTSON: I say it is essential that they do. I doubt if a study by different provincial departments could be well enough coordinated to be as useful as a study done by one agency. I think the federal government should do it.

MR. GUSHUE: I was wondering if it might be fair to ask whether the point as to the desirability of decentralization of industry might be elaborated; or is that a fair question? By whom, in what manner, and so on could this be brought about, assuming it is a good principle; that is, the decentralization of industry from certain heavily populated industrial sections to others?

MR. GROSSE: I do not think I can add very much to what is already there. I believe what you are getting at is whether we believe it should be under private enterprise?

MR. GUSHUE: No; I am just wondering how it would be done, how you would decentralize what is already centralized, or is rapidly becoming centralized.

MR. GROSSE: I think probably the first requirement and the basic factor that is going to be necessary in connection with the decentralization of industry is the growth of our markets in western Canada; and a good deal of the brief, of course, is related to that point.

MR. GRAUER: Do you see that going on now, the decentralization of industry?

MR. GROSSE: There are two questions there. Do you mean in Canada as a whole or in this province?

MR. GRAUER: No; in this province.

MR. GROSSE: A certain amount is going on in the province at the present time. We have manufacturing operations in about 150 of our small

towns. We think it is one of the real problems facing provinces such as Manitoba, in that our agricultural industry with its mechanization is requiring fewer people, and we are anxious to see them employed in our towns rather than have them go into the bigger centres or the more industrialized areas of Canada. That is one of our reasons for being really interested in this problem.

MR. GRAUER: There are certain things which lead to centralization, as you know, such as labour supply, variety of skills, transportation facilities and so on, which you usually find in larger centres. I was just wondering to what extent actual decentralization was going on?

MR. GROSSE: It is going on, but not nearly as quickly as we would like to see it.

THE CHAIRMAN: When we were in the maritimes some of the people there in their representations to us suggested that relatively high freight rates provided a form of protection to local secondary industries, and that it was behind that freight rate protection that some secondary industries were being developed or might be developed in the maritime provinces. Would you care to comment on that theory?

MR. GROSSE: Well, I do not subscribe to that theory. There is no doubt there are certain specialized types of industries for which the high freight rate structure is beneficial. Particularly in the west I think of the iron and steel industries which have had some benefits; but generally speaking

we would not subscribe to that at all.

THE CHAIRMAN: I just wanted to be sure.

MR. LUSSIER: I noticed that some of you were suggesting that a new way of making credit available to the farmers should be studied and applied. For instance, you suggest that there should be a shorter term for loans to buy equipment, and a longer period for loans for the purchase of farms and so on. I understand you are not satisfied with the Canadian farm loan board on that point.

How would you suggest that such an amendment should be made? I understood that the Canadian farm loan board was prepared to meet all the average needs of the farmers all over the country. However, some of the provinces were not satisfied; for instance, Quebec established its own loan board. Everybody was skeptical at the start, but it was a great success, and I do not think they lost a dollar of their investment in the farmers. I understand also that the loans were much more easily obtained than those coming from the federal board. Still is it not possible that in these provinces that are asking that the farm loan legislation be amended, you might do better to have your own boards?

MR. ROBERTSON: Mr. Chairman, in connection with loans to farmers, the reason we support the idea of the federal policy being expanded is that the federal government has the resources for these purposes, to operate a uniform system across the country; and at the same time it has the administrative experience and the administrative setup in that field.

I think the best demonstration we have had of the benefits of long term, low interest credit for that purpose is the Veterans Land Act. Although the Canadian farm loan board has been in operation for a longer period of time, I do not think its operations have been as useful to the smaller operator who is starting up as the provisions of the Veterans Land Act. I think we estimate in our brief that there will be approximately 1,600 farmers requiring this form of assistance each year. I might say that I understand that the Canadian farm loan board has loans outstanding in the province of Manitoba amounting to some \$17 million, which have been made over quite a substantial period of time.

We think there will be a need for lending on a broader scale than that if we are to meet the needs of some 1,600 units per year. We believe we will require a larger amount of money, in view of the capital requirement for larger farms and for higher cost equipment, which has increased so much in the last 10 or 15 years.

The main problem, as we see it in connection with credit on farms, is that a farmer must plan his operations and his credit requirements and the repayment of his debt over a very long period, to take care of the very definite fluctuations which occur in agriculture, both in production and in price.

For instance, we have areas in the province which have not produced a crop for three successive years; which even this year, despite the fact that

Manitoba has produced a very substantial crop, I would say that a very high percentage of our farmers are unable to meet their obligations, except to a very limited extent. If the payments on short term, high interest loans are too high, then the farmers are unable to take complete advantage of them and be able to plan on meeting those obligations in view of fluctuations in production and price; and on that basis we think there is a good argument for the long term system of low interest credit administered by the federal government which would apply to agriculture right across the Dominion of Canada. We think the experience of the federal people would be most useful in that regard.

MR. STEWART: May I develop this a step or two further, because I was particularly intrigued with this reference to the Veterans Land Act.

My understanding is that that has been a successful operation under the conditions under which it was set up. There is, however, one particular feature to it. That is, as I understand it there is a considerable degree of supervision of the farms. Under the V. L. A. I believe there are field men who are responsible, much as the C. A.'s are, for agricultural advice and so on. That is so, is it not?

MR. ROBERTSON: That is correct.

MR. STEWART: I would assume that to be a fairly significant factor in making for the success of the plan. Do you agree?

MR. ROBERTSON: I think that would be right. It certainly is of definite assistance, I am sure.

MR. STEWART: I have no knowledge of the administrative costs of the V. L. A., but I should think in view of the extent of the supervision provided that it would be a fairly expensive plan. The farm loan board does not pretend to make the contribution which the V. L. A. does in that regard; but it would be part of the administrative cost, and if that were added to the costs of providing loans and credit I should think it would be fairly high.

MR. ROBERTSON: That may be true. I wish I had the figures here on the number of Veterans Land Act units in the province, but they would be much higher than the figure of 1,600 which we estimate as the number of farms which would have to be financed each year; that is, the 1,600 young farmers trying to become established each year.

I think generally speaking the Veterans Land Act supervisor can handle at least 200 farms, if not more. In fact I think recently the system was changed to enable supervisors to take in larger areas; and I doubt that the supervision of new farms of the type we are forecasting would require any great staff, certainly not the very extensive administrative staff with which the Veterans Land Act has been operating.

I think another point, too, is that the repayment principle under the Veterans Land Act is fairly generous. The interest rate is 3 1/2 per cent, amortized over a period of 25 years; but still there are certain write-off features. We are not suggesting that those should be included in the other system of

loans, but that would be another factor that has made the operation of the V. L. A. successful.

There is a write-off of \$1,200 on advances for stock and machinery, and a further write-off of one third of the existing mortgage indebtedness after a 10 year successful period. I believe the total write-off is \$2,320, which is quite significant in itself; but we do not suggest that this should be incorporated in the long term credit arrangement.

MR. STEWART: But the line of my thinking is this, that presumably the rate of interest under the federal farm loan board is supposed to cover the risks. Without supervision the risks are higher than when supervision is provided. Therefore it seems to me that one way of getting down the interest rate is to provide supervision. This is what the V. L. A. is doing.

Following along the line of Mr. Lussier's question, I am just wondering whether it would be possible to get a reduction of the rate of interest on loans say under the farm loan board if those farms were under supervision, and if it would be possible for, say, your D. A. service to provide that supervision, thereby reducing the risks to the loaning agencies?

MR. ROBERTSON: Yes, up to a point. We have 35 district representatives at the present time, and on that basis it would not give them too great a number of farms, 40 or 45 in each district. That is a feature we had not considered up to the present.

I might say that in the Ontario plan, which is operated by the province of Ontario itself,

I do not know that they have supervision but their interest rate is 4 per cent. I do not think our treasurer here would agree that this province is in a financial position to provide the service Ontario provides; and I do not think they have supervision, unless it is through their district representatives. But there is no doubt that could probably be incorporated into the extension service of our department.

MR. STEWART: I have used the term "supervision" here, but it leads me into the wider area of extension and advisory services to farmers. I noticed in your section on agriculture you did refer to research, but I do not think there is any reference beyond that, to the fact that you have to get the results out to the farmers through the extension and advisory services, which I think ties into the lending problem as well.

Are you satisfied with your advisory services under the D. A. system, or do you think that extension activity could be improved?

MR. ROBERTSON: I think we would have to be quite honest and say we are never too satisfied that we are getting all the results we could out of the extension service. We are almost constantly making changes in the service. Recently a very significant change was made, in the appointment of advisory councils of actual farming people, who operate in conjunction with the district representatives, not only to take back to their areas the results of research, but to present from time to time the problems of research that should be

dealt with now to meet the needs of their particular parts of the province.

I think in the brief there is something on the need not only for the development of research on a broader scale, but also for the training of research people and others in connection with agriculture. I thought we had something in here on extension as well, though perhaps not anything more than what we mention in the research section.

MR. STEWART: I have one or two further questions on the agricultural section of the brief, and on Mr. Robertson's presentation. I notice on page 30, under "The land base and its use" you suggest that the area of land in farms might be increased by as much as 5 million acres. This seems to me to be a large increase. I do not think the province of Alberta is quite as optimistic in its suggestions as to extension there, and I was wondering if you could tell us a little more about the possibilities. This would be in the interlake region, would it?

MR. ROBERTSON: Yes, largely; and also in the land lying on the northern side of lake Winnipeg, both to the north and on the west side, in what we call the interlake country. I might say that a rather general survey of that area was made by the federal department, which led them at our request to establish an illustration station as far north as the Hudson bay railway. While we think of that in terms of being far north, actually the area itself is located roughly in the heart of this great clay deposit, comparable to the Peace River area.

It is in that particular degree of latitude.

The area needs a great deal of exploration and testing to determine what climatic factors there are to contend with; what are the growth possibilities; what are the different soil problems that may arise, and what use can be made of the land that is divided between outcroppings of fairly heavy clay deposits, the pre-Cambrian shield in the form of rock, and very extensive stretches of muskeg and bush. Before any attempt at large scale settlement is made, we want the full possibilities of the area examined.

At the present time our settlement is taking the form of gradual inroads into that area. As we are able to provide some form of communication, people are tempted to move in, and we have run into some problems with them, which makes this something that takes place on a gradual basis.

I think we estimate that we can expect about 200,000 acres of land a year to be developed in that manner. One of our problems in connection with agriculture and extension and research and a good many other things is to try to prevent too many difficulties arising when people have established themselves on that type of land.

One of the major problems we have, and which we have faced for the last several years, is the fact that during dry periods people are tempted to move close to bodies of water, on land which in wet years is not productive, which in fact in wet years is often completely flooded. We have had that problem

to face, because people did move in and establish themselves.

At the same time we have the very reverse. In wet years people are tempted to move in on marginal dry lands which are not productive in dry years. In fact they are like the Palliser triangle, which in its worst years will not support a family, because of lack of adequate rainfall.

We are hoping to slant our new settlement into those areas that we have determined by test to be productive, and to be useful for settlement, and to be able to advise our farmers on the type of production that will be profitable.

However, this is a gradual transformation. We do not foresee any great settlement in the new areas even within the next 25 years.

MR. LUSSIER: Do you subsidize those movements?

MR. ROBERTSON: We have done so, under one policy that has been operated by the Department of Mines and Natural Resources. In other government developed areas in the province, one known as the Birch river system, one known as the Catfish creek system, and I think we might have another one or two, the government has expended fairly large sums of money not only in providing services such as roads and drainage, but even to the extent of breaking a certain proportion of the land in each quarter section and selling it at what we consider to be a very reasonable price in relation to the general market demand for it.

This was devised originally to assist settlers under the Veterans Land Act, under a particular section whereby the Veterans Land Act gives assistance to the amount of the normal **writeoff** in their contract. In turn they took their contract to the lands branch of the province, and became more or less our direct responsibility from then on.

We have extended that somewhat to assist other settlers than those under V. L. A., in the way of providing services like drainage on some farms, flood control and particularly roads.

MR. GRAUER: Those areas such as the interlake area and the northern portion, referred to on page 30; looking at the map at page 56 they appear to be forest areas at the present time. Is that so?

MR. ROBERTSON: They are a mixture. Some of them are forest areas. Some are areas which, with drainage, could be farmed satisfactorily. They are rather low lying and in some cases rather swampy areas of reasonably good land. Some are forested; some have a peat cover on them, but with proper control and management they can be quite productive.

MR. GRAUER: I was wondering to what extent the conversion of from 1 million to 5 million acres of this land to agriculture would affect the forestry estimate on page 57.

MR. ROBERTSON: I doubt if it would be very much affected. I think in our section that is probably an optimum figure. We are saying there is possibility, or there might be the possibility of

settlement, to that maximum amount of land. I would not for a moment suggest that there is any assurance yet that this amount of land could be developed. There is the possibility, though, that there is that much land there.

MR. STEWART: That is just what I wanted to know. You see, on page 14 you point out that in the last 25 years you have expanded your agricultural area by 2 1/2 million acres. I think it would require fairly favourable conditions for agricultural expansion to induce that rate of expansion for the next 25 years, which is twice as rapid as you had in the last 25 years.

MR. ROBERTSON: Yes, it would require the provision of the services I have mentioned, and pretty careful investigation to see what were the best types of production for those lands.

MR. STEWART: On page 38 there is a reference to soil conservation. I wonder if you would feel disposed to elaborate on it at all. You say:

"There is a need for comprehensive planning for soil conservation and improvement in the future."

Have you any specific suggestions to make there as to what needs to be done and how it might be organized?

MR. ROBERTSON: I think we are trying to follow up our argument on flood control particularly; not just for flood control purposes but in connection with the proper use of the available water we have in the province during the next 25 years for some forms of irrigation to supply water for the southern areas of the province, or some parts of it,

for canning crops and some types of special crops, and generally sufficient water supply for livestock purposes.

We are anxious to see as much diversification in farming as possible; yet we have areas in the province which, because of lack of adequate water supplies, do not see their way clear to raise any kind of livestock. That is one concern we have, because a livestock program itself, of course, is one of the greatest measures that can be undertaken in connection with soil conservation.

We have developed in the province a very beneficial form of forage crop assistance that I think has encouraged farm people to increase their pasture and hay lands very substantially; but there is still room for a great deal more to be done in that particular field.

I think the main thing in our over-all program is to ensure that we make the best use of our water supplies, both by way of controlling them in order to prevent damage, and utilizing them for irrigation, stock watering, and such purposes.

MR. STEWART: You made some reference to price support policies yourself, and there is a statement on page 40 dealing with this point. I do not want to get into details on price support policies particularly, but I would like to make sure that the statement on page 40 does fully represent the views of the government of Manitoba on this question.

MR. ROBERTSON: That is a difficult question to answer. As you know, these problems come along and

we sometimes come up with a different idea than we might have had previously.

We do think that if we are going to guarantee agriculture against excessive losses which sometimes occur, particularly in prices, there is a need to give the farmer some assurance that his investment will be protected. We do deliberately say a little further down:

"Flexible price support policies will serve not only as a guide to production program --"

and so on. We admit that rigid price supports can cause endless trouble; we have seen evidence of it in the United States. I would not care to comment on whether we have seen any evidence of it in this country so far; but we feel that a system of flexible price supports, particularly for the secondary types of production; and possibly, if we cannot find alternatives by which to solve some of our difficulties in our major products it may be necessary for all of us to consider doing something by way of supporting farm income, to some degree, and dealing with farm costs. Because we feel very strongly that it is economically justifiable for the rest of the tax paying public to protect their own interests by helping to protect agriculture.

I think the pattern during the past 60 or 70 years has indicated most clearly that when agriculture suffers a decline, it is not long until that decline is felt by other groups, and we feel there is justification for arguing for a form of price

supports which will try to guarantee the farmer some reasonable portion of what should be his total share of the national income.

What those amounts or proportions should be in relation to various products is a matter for a great deal of discussion and investigation, but we think the policy is sound and it has proven beneficial in the time it has been in effect.

MR. STEWART: Thank you; I think that clarifies the term "flexible price support." As I understand it, under the Agricultural Prices Support Act the board from time to time determines whether a price support is necessary and at what level it will be established. You would be satisfied with that kind of machinery, would you, in arriving at the supports?

MR. ROBERTSON: Provided that the period required to establish prices would not be too long. I am afraid with the highly competitive features of many of today's export products, and even domestically, they would not want to await price support over too long a period, because it might become necessary to re-adjust it in the light of changes in competition and changes in production as well.

I think in most products that does not apply, but there are some forms of production the farmer can increase and decrease quite rapidly, in regard to the production of poultry, hogs, eggs and so on. With regard to livestock or some of the other products, in which it takes a longer time to increase the production, I suppose the longer period would not

matter so much.

MR. STEWART: There is only one other point in this paragraph on which I would like a little elaboration. It is the last sentence:

"However, it may be necessary during the operation of the flexible price support program that consideration would have to be given to production controls."

There is implicit in that statement, I think, a suggestion that a support price itself either induces expansion or production, or at least maintains production, above a level at which the supplies would move to the consumer and be consumed. That implication is there. Accepting that implication, this statement says that along with flexible price support you are prepared to support production control.

MR. ROBERTSON: We suggest it might possibly be necessary.

MR. GUSHUE: "Consideration might have to be given"; I think that was the way you put it.

MR. ROBERTSON: I think perhaps the experience in Nova Scotia may have guided us to some extent. We did not want to say that production controls would be essential. In the case of the apple industry in Nova Scotia I think the federal government thought the solution was to reestablish in many of the old and rather decrepit types of orchards. I believe there a form of assistance was given, including some assurance as to the prices of apples, and this included the

requirement that these orchards had to be renewed. I believe a very extensive program was undertaken, although I have not the details with me.

That is why we would not say production controls would be necessary, or that we would support production controls for those products. There may be other alternatives which governments could utilize which would in effect serve the same purpose.

Yet if a price support system were not responsive to what other countries might adopt as their policies, which it might not be considered economically advisable to adopt in this country, it could mean that we would arrive at a tremendous stockpile of a particular product that could not compete, which would either have to be destroyed or sold at a tremendous discount. We do not think the form of price support should be so extensive that it would create that sort of situation, without some other alternatives being available.

MR. STEWART: I do not want to suggest that I know the answer to this problem, and I do not want to put words in your mouth; but the difficulty of price supports seems to be that you derive your income from the prices of the products you sell. The other point is that it provides a directive for production.

It is suggested in some places that while we may agree that in a period of sharp recession in prices the income effects on farmers do create instability and therefore it is in the interests of the economy generally that farm income should be

supported, the argument is advanced that instead of doing that through prices we do it by some other means more directly affecting the incomes of the people involved. Have you any views on that as an alternative to interfering with prices?

MR. ROBERTSON: I do not know quite how you mean, by doing something alternatively to affect their incomes more directly. I do not see how you can, apart from trying to protect the price of the farmer's product through the various policies we have at different levels of government to try to carry people through difficult periods, whether they are farmers or whoever they are.

I think the thing we are trying to get at this time is the temptation on the part of farmers to try to convert their surplus products into something they can market; to convert a lot of the grain now located on farms into something else, which will bring in cash.

Unfortunately that always has a tendency to upset the market in that other product. We think that would be very disastrous and discouraging to agriculture; yet it may only be a temporary thing. People may go into hogs if grain is low in price and in great quantity and if hogs are readily marketable for at least a fair price. Right now, from the latest information we have, many of the largest farmers are selling fairly good grades of wheat at as low as 55 cents a bushel to livestock feeders, merely to get their hands on some ready cash.

The farmer himself will make every effort to do that; and if he does we think we should see to it, as far as we possibly can, that he does not penalize himself by glutting the market temporarily so he will not get a fair price for his product. I still think it is the only suggestion we can make in trying to outline some form of protection for the farmer against these very disastrous declines in prices.

THE CHAIRMAN: There is one question I would like to ask, Mr. Robertson. As I remember it, you made reference to the export credit arrangements act, and you also mentioned any other acts which might be applicable, that they should be used to help customers abroad purchase Canadian agricultural products.

I wonder if you would care to expand on that a little bit and indicate the extent to which you think that legislation could be used for that purpose.

MR. ROBERTSON: Mr. Chairman, that observation came about as the result of the sale of wheat to Poland some months ago. Under that arrangement I believe the Polish government provided part of the funds to purchase the wheat, and under the act the Canadian government financed the remainder of the purchase.

We think the uses of that act should be explored in all these countries. In fact I fully agree with the statement made a few days ago by a federal member, who said he would sell wheat to the devil himself if he could arrange to do so. If we can find customers who are willing to pay a reasonable price, and we think our wheat is reasonably priced, who only because of

lack of ready funds are unable to purchase it, my own personal opinion is that sure, we will finance part of the purchase at least under that legislation.

Certainly I hope the federal authorities and their agency, the Canadian wheat board, will explore every possibility of using that act in any country in the world, whether it is behind the iron curtain or anywhere else. I think that must be one of our prime objectives in this difficulty in which we find ourselves in competition with the United States and some other countries.

As far as other legislation is concerned, I do not know what other legislation is on the federal statute books that could be useful in that regard. I think probably there must be some legislation in connection with the Colombo plan and certain other measures adopted under the United Nations and under NATO, and so on, if any of those could be useful in helping to dispose of this large amount of wheat we have on hand, by way of extending credit, and certainly they should be utilized to the full.

I think that pretty well sums up our view on that point.

MR. GUSHUE: That act is used as insurance, is it not, with a premium being charged? You are speaking of the Exports Credits Insurance Act?

MR. ROBERTSON: Yes, that is it.

MR. GUSHUE: I had one question. Reference was made to ~~the~~ necessity for the co-ordination of research where the provincial government and the federal government

were in the same field. I wonder if that could be expanded a little, as to the basis on which such research could be coordinated. Would it be by matching programs? Could it possibly be by the pooling of resources for research and so on, or in just which way do you suggest?

MR. ROBERTSON: I do not think by the pooling of funds. I will tell you what has bothered us somewhat in the province, though I do not think there is any ground for criticism or any room for it in this connection so far.

This year in the province we have developed, as a province, from provincial funds being used at the university, a new type of malting barley. It is not yet licensed, but we have every hope it will be licensed shortly. A new type has also been produced in Manitoba by the federal experimental farm service.

I think our research people are on the best of terms and work very closely together, but we would like to feel that the federal authorities would concentrate on the fields that are not only more expensive but that require the coordination of research facilities across the country, and leave us with responsibility for those types of research that are possibly required in connection with provincial problems.

For instance, a few years ago we embarked upon quite a substantial research program in connection with sunflowers. As a result of the coordination between sunflower growers themselves, the oil plant that processes the seeds, the experimental farm at Morden, the university

and ourselves, we think we have produced sunflowers which are resistant to the rust which practically destroyed our crops for a few years.

That might be a problem in other provinces, but not to any great extent as far as we know. The sunflower registry is rather an important one here, and a growing one in parts of the Red river valley, and we look upon it as more or less a local crop. We still want the cooperation and assistance of the federal authorities, but we cannot expect the federal government to come in every time we encounter a local problem of that sort. If we have a local problem in connection with soils -- and we have had two or three; one in the Swan river valley and one in the Neepawa country, we think they are matters of provincial concern.

In connection with this expansion of research facilities that is taking place, I think there has been a change in the federal policy to locate their science service departments as much as possible on the university campus in each respective province. We want to tie in our research programs, to coordinate them with them; but at the same time we think there is a need to see that we are not duplicating each other's efforts.

It may be necessary to look at an advisory organization in each province that will work on the types of research being done, to see that there is co-ordination but no duplication; and I think we are a little concerned about that at this time.

I believe that is the only concern we have. We are highly appreciative of the research that is going

on. We think there is still a tremendous need for further research, not only in the newer varieties of crops, the newer techniques that can be applied on farms in the province and across the country, but in the newer methods of utilizing agricultural products. We think there is a tremendous need for that.

As a matter of interest to the commission may I say that this year we have a rather startling demonstration at our own university, where one of our scientists has managed to cross rye with durum. It is an amazing looking result. It is a tremendous plant. I do not know whether you would call it rye or durum or what is its dominant characteristic. If it is successful it offers an opportunity of increasing production per acre; but what can be done with that product is a problem that I think should be faced; and I believe we are coming to look more and more at that end of research. If our research scientists could tell the farmers of the west some way of utilizing all the grain they have available at the present time in some form other than flour, it would be a wonderful thing. I think there is a need for concentrated research in that field.

THE CHAIRMAN: Well, Mr. Campbell, I would like to thank you and your two colleagues and their associates for this very excellent brief you have presented to us, as well as for the extremely helpful way in which all of you have answered our questions. If other questions occur to us perhaps we may pass them on to you; and I know the members of the commission's

research staff will be in touch with your officials, if they have not been in touch already; and we are grateful for the help which they are receiving.

PREMIER CAMPBELL: Thank you very much; it has been a pleasure. As you see, I follow the traditional practice of leaving the work to more able men than myself. My two colleagues and the others who have spoken here have been happy indeed to confer with your commission on these matters, and we shall be glad to supply any further information we can if your research staff will keep in touch with us. Or if we have any further suggestions to make we shall certainly be looking for the opportunity to put them before you. We have appreciated this opportunity.

THE CHAIRMAN: Thank you very much.

---Recess.

---After recess.

THE CHAIRMAN: Well, gentlemen, shall we come to order. The next item on the agenda is the submission of the city of Winnipeg, which will be presented by Alderman Charles Simonite, chairman of the finance committee. We shall label your submission, sir, as Exhibit 25.

MR. SIMONITE: Mr. Chairman and gentlemen, I am here today representing His Worship the Mayor, who had to leave the city. Both the mayor and our finance director are out of the city. I have with me some of the officials, however.

We have not prepared a brief. We have a memorandum of some of the major problems as our officials have analyzed them, and they will be very glad indeed to give you any information we have. We want to cooperate with you and try to place before you the opinions of our officials on the future requirements, financially and otherwise.

I am going to be very brief myself, and I would ask you to ask any questions you wish of the officials; or if you wish to discuss matters further with me, I shall be glad to do the very best I can.

Do you wish our memorandum read, Mr. Chairman?

THE CHAIRMAN: Whichever you prefer. Would you like to have it read, or would you like to have it summarized?

MR. SIMONITE: Probably we could have it read; it is very short. We have divided it into the city proper, and the greater Winnipeg water district and sanitary district. Mr. Kerr, the deputy commissioner of finance for the city, will present it.

MR. KERR: Mr. Chairman, as Alderman Simonite has explained, this submission is in the form of a letter written by Mayor Sharpe and addressed to Mr. W. L. Gordon, Chairman of the Royal Commission on

Canada's Economic Prospects.

As requested in your letter of September 19, an estimate has been made over the next 5, 10, 15 and 25 years by certain of the city's officials of such things as population, requirements for schools, hospitals, roads and other general capital expenditures for the city of Winnipeg and the following is a summary thereof.

We have divided this into periods 1 to 5 years, 5 to 10, 10 to 15 and 15 to 25, together with the totals for the full 25 year period. I do not think I need read all these figures, but the estimated total requirement for the next 25 years for school purposes is \$17,500,000. For hospitals, that is our own municipally owned hospitals, it is \$5,200,000. For recreation it is \$3,200,000. For bridges and expressways, \$32,000,000. For local improvements such as pavements, sidewalks, sewers, etc., it is \$40,000,000. For miscellaneous items it is \$17,000,000, making a total for the 25 year period of \$114,900,000.

Then we have estimated the population, which is presently 244,000. At the end of the next 5 years we anticipate that it will be 255,000; at the end of the next 10 years it will be 265,000; at the end of the next 15 years it will be 275,000, and at the end of 25 years it will be 300,000.

The above is a very rough estimate of capital expenditures required by the city of Winnipeg and for which debentures would require to be issued. The cost of servicing such debt would be paid for mainly by taxation under existing conditions. The capital requirements for hydro and water utilities would be in

addition to the above. The capital requirements for water supply and sewage treatment which are provided on a metropolitan basis by the greater Winnipeg water district and greater Winnipeg sanitary district respectively are dealt with in a separate submission prepared by Mr. N. S. Bubbis, general manager of the districts. However, Mr. Bubbis has included in his figures estimates of expenditures for water distribution and sewerage facilities in the municipalities of greater Winnipeg including the city of Winnipeg.

Dealing in more detail with the above program of capital works the following remarks would be appropriate.

Schools. The present enrolment of 40,000 is expected to rise to 48,000 by 1960 and to 50,000 by 1962, at which point it will probably level off. The budget of the school district is \$9,250,000 for 1955 of which the provincial government contributes \$1,150,000 or about 12½ per cent. It is expected to be about \$13,000,000 by 1960 and will probably level off at about \$16,000,000 by 1965. It is estimated that the total working force, if the school population stabilizes at about 50,000 by 1962, will rise from the present 1,800 to approximately 2,300 and then level off by 1965 at approximately 2,400. As the city's realty assessment is not likely to keep pace with this tremendous increase it is obvious that an accelerated rate of contribution must be forthcoming from the provincial government if the realty tax rate is to be kept within reason.

Hospitals. The estimated capital require-

ments for hospitals cover the city's own hospitals only. The city operates hospitals for chronic illnesses and for contagious diseases with an accommodation of 500 beds. The annual operating expenditures amount to about \$1,300,000 and after deducting revenue of around \$700,000, the net annual cost to the city of operating the hospitals is \$600,000. It is estimated that an additional 300 beds will be required which is reflected in the amount of the capital requirements stated above. The present personnel numbering 437 would require to be increased by 300 to staff the expanded facilities herein estimated.

Recreation. The estimated capital expenditures for recreation include the development of about 200 acres of land now reserved for parks purposes, the progressive development of the zoo in Assiniboine park, the provision of parking areas in the larger parks, the hard surfacing of park roadways and the modernization of parks equipment and plant. Provision is also made for two new swimming pools and two major sports fields. Those are indoor swimming pools.

Bridges and expressways. Both highways and public transport exist to furnish transportation without which the modern city cannot function. The total transportation cost for urban areas can be minimized and at the same time maximum public convenience can be provided by means of an integrated system involving highways, railways and other devices now emerging from research. Modern transportation is both complex and costly and anything that prevents the development of such a system causing

increase in total transportation cost and reduction in public convenience is not in the public interest.

Metropolitan Winnipeg accommodated 29,000 motor vehicles on its streets in 1945. It is accommodating in 1955 approximately 90,000 vehicles and by 1965 it is estimated that it may have to accommodate 160,000 vehicles. Without heavy expenditures on expressways it may be reasonably assumed that a dry rot owing to failure of transportation may set in in the central business district and then slowly spread to other areas. Decentralization of business with consequent tax revenue losses and uneconomic conduct of business will be the end result. A north-south expressway crossing the Canadian Pacific Railway and the Red river is a first need together with a program of street widenings. Following that, within the next 5 to 10 years, a second bridge across the Assiniboine river will be required together with a normal program of widenings. Within 10 to 25 years a central business district by-pass from the north-south expressway to the Pembina highway including another crossing of the Assiniboine river will be required at a present estimated cost of \$15,000,000, plus a further \$2,000,000 in general widening improvements. There is a distinct possibility that within 10 to 15 years a further \$5,000,000 expenditure will be required for another north-south expressway across the Canadian Pacific Railway yards west of Salter street.

Miscellaneous. Under this heading are included such items as a new city hall, storm sewers, fire halls, police stations, libraries and off-street parking, etc.

Effect on city's finances. The city's gross debt at December 31, 1954 amounted to \$51,684,000 and the portion supported by taxation amounts to \$23,630,000. This debt will all be retired by 1977. A comparison of the estimated expenditures for the next 25 years compared with the debt issued in the last 25 years for similar purposes is as follows.

It will be seen in this table that in the past 25 years our total debt for similar purposes has been estimated here at \$35,202,000, whereas our total estimated requirements for the next 25 years are \$114,900,000.

It will be noted that the figures for the past 25 years show that economic conditions play a large part in when capital expenditures can be made. Almost double the amount was spent in the post-war 10 years than in the previous 15 years of depression and war. Another factor affecting the comparison which must be given weight is the value of the dollar. Regarding the estimate of \$115 million for capital requirements in the next 25 years, it must be remembered that this amount represents the cost of what the city officials regard as the most probable expenditures which would require to be made if the population should rise steadily from the present 244,000 to approximately 300,000. To the extent that the population is overestimated the expenditures will be overestimated and vice versa. It can also be said that all of these expenditures would only be possible if the economic climate is at least as favourable as it has been in the last 10 years.

Another factor, of course, and one that is often dependent on the economic climate, is the fact that the present legal requirements to borrow for these expenditures, with the exception of the \$40 million for local improvements, is approved by 60 per cent of the rate payers.

As previously stated the present debt supported by taxation is \$23,630,000. If \$115 million were issued in the next 25 years it would undoubtedly put a tremendous strain on the city's finances and might even be impossible to market. It must be remembered that in addition the city must continue to borrow for its hydro and water utilities so that the total debenture issues might become unmanageable for a city the size of Winnipeg. No allowance has been made for possible grants from the provincial government and it would be hoped that such grants would be forthcoming. However, there is no formula for capital grants covered by legislation except possibly in the case of hospitals and each project would be considered on its merits by the provincial government as has been done in the past. The government has offered a contribution of \$1,000,000 toward the cost of the Disraeli bridge and expressway, which project is included in the item of \$7 million in the 1 - 5 years column.

It is felt that a more generous attitude toward grants to certain projects by the provincial government is required if the city is to accomplish the capital program considered necessary for its progressive development. In addition to this it is

believed that the senior governments should devise some method to assist municipalities in the financing of their shares of capital expenditures so that their development will not be impeded by high interest rates. The Municipal Improvements Assistance Act passed by the federal government in 1938, now dormant but not repealed, seemed to fill this need and was a recognition by the federal government of its responsibility in this matter. In this regard the municipalities should be willing to pay the same rate of interest that the federal government would be required to pay.

I appreciate this opportunity to present my views on these matters, and will be glad to co-operate in any way and furnish any further information your commission may desire.

Supplementing this letter is the report of Mr. N. S. Bubbis, which I will ask him to present.

MR. SIMONITE: Would you wish Mr. Bubbis to continue?

THE CHAIRMAN: Certainly.

MR. BUBBIS: This submission is in the form of a letter in reply to yourself asking for an estimate of the capital expenditures that will be required for the next 25 years, and what problems are likely to arise in terms of financing, organization, personnel and so on. This is addressed to yourself as chairman.

His Worship Mayor Sharpe has asked me to reply to the request contained in your letter of September 19 insofar as it applies to water and sewage facilities

in the greater Winnipeg area.

In view of the fact that the estimates made will depend on the numerous variable factors enumerated below, it will be realized that certain general assumptions will have to be made in order to arrive at even a general estimate. Any variation in any of the assumptions made will, of course, change the estimate materially. Based on these conditions, an attempt has been made to indicate what capital sums may have to be spent in greater Winnipeg area over the next 25 years and these are set out in the attached table.

Area. The area considered to be encompassed by greater Winnipeg is made up of the following municipalities: The cities of Winnipeg and St. Boniface, the towns of Tuxedo and Transcona, the rural municipalities of St. James, Fort Garry, St. Vital, East Kildonan, West Kildonan, North Kildonan, Old Kildonan, Assiniboia, Charleswood and the village of Brooklands. This corresponds to the same area listed in the dominion bureau of statistics census of 1951.

Factors governing the size and extension of water and sewage facilities. These factors are (a) population; (b) rate of increase in consumption; (c) expansion of industry; (d) sewage treatment would also depend on the ability of the receiving waters to assimilate pollution.

(a) Population. The change in population over the next 25 years will depend on a number of factors such as natural increase and the retaining of same in this area, immigration, trend of moving from

rural to urban area, development of industry, etc. The district has developed certain figures independently and on checking, finds these to be very close with those developed by the provincial government and the latter figures, shown in the attached table, are therefore used as the basis for this date.

(b) Rate of increase in consumption. The per capita rate of consumption has tended to increase with the development of higher standards of sanitation and living conditions and the increasing use of appliances such as automatic clothes washers, dish washers, garbage grinders, air conditioning equipment, etc.

It is interesting to note that in the original design of the water district, about 1913, it was estimated that the per capita consumption would rise to about 100 gallons per capita per day by 1950, whereas in 1950 when certain designs were being made, it was found that the per capita consumption was actually only about 76 gallons per capita per day and it was then estimated that this would rise to 100 gallons per capita per day by 1970. The rate of increase has, however, not been as high as estimated and it is therefore now being assumed that this quantity will not rise to 100 gallons per capita per day until 1980. However, as pointed out in (c), this could materially change and very rapidly if certain large wet industries were established in this area.

(c) Expansion of industry. The expansion of industry, particularly industries using large quantities of water, can have a tremendous effect on

the requirements of both water and sewage treatment facilities. For example, during the war an industry such as a cordite plant required about 10 millions gallons of water a day.

(d) Only primary treatment is presently being given to a considerable portion of the sewage in this area. What additional quantities of sewage will have to be treated or what additional degrees of treatment will have to be given and therefore what additional facilities will be required will depend to a considerable degree on the flow which is maintained in the Red and Assiniboine rivers as compared with the total amount of pollution produced in the area. If there should be a protracted period of drought similar to that in the 1930's, then it may conceivably be necessary to provide for additional expenditures over and above what is presently anticipated, and mentioned in this report.

Organization of water and sewage facilities in this area. The greater Winnipeg water district is an intermunicipal corporation made up of the first nine named municipalities mentioned in paragraph 2. The district is responsible for conveying water in bulk and not under pressure from Shoal lake to the individual member municipalities in the greater Winnipeg area. It also supplies water to the remaining 5 municipalities under separate agreement.

The municipalities themselves are responsible for the storing, pumping and distributing of this water to their own citizens. In practice

arrangements have been made under the provisions of the Water District Act for certain municipalities to supply water under pressure to other municipalities.

Each municipality operates and maintains its own sewerage system.

The greater Winnipeg sanitary district is another intermunicipal organization charged with the responsibility of intercepting the sewage from the large trunks of the municipalities and conveying and treating it. At present the first named 9 municipalities mentioned in paragraph 2 are members of the district, North Kildonan's application for entry will in all likelihood come into effect as of January 1, 1956, with the possibility that some others might also eventually enter the district.

Financing. As is indicated under "Organization", the financing of these services is carried out by the individual municipalities concerned for water distribution and for sewerage services; by the greater Winnipeg water district for water supply to the area; and by the greater Winnipeg sanitary district for sewage treatment.

The greater Winnipeg water district, in recent years, has done no financing other than some relatively minor refinancing and has enjoyed excellent credit. The greater Winnipeg sanitary district, up until two years ago, had not had to do any financing on its own. Recently it has sold debentures for a million and a quarter dollars on very good terms.

Provided that favourable economic conditions continue it is not anticipated that any great difficulties should be encountered in financing projects required by either district, although it should be pointed out that in the case of the water district, section 43, subsection (1) of the Greater Winnipeg Water District Act states:

"Except as hereinafter provided no by-law of the corporation for the borrowing of money by the issue of debentures under section 42 shall be valid or acted upon until approved by a by-law of the city of Winnipeg that has been first submitted to the rate-payers of that city in accordance with the provisions of the Winnipeg charter, 1940, respecting the submission of by-laws for the borrowing of money."

Recently the city has experienced some difficulty in having money by-laws approved by the ratepayers. In the case of the sanitary district, money by-laws merely require the approval of the municipal and utility board. Mr. Kerr has mentioned this in some detail in connection with the financing of the city of Winnipeg.

The city of Winnipeg in the last 10 years has done considerable financing for both sewer and water facilities without experiencing any degree of difficulty, as long as it has been able to keep these amounts within reasonable proportion.

However, most of the other municipalities, with one or two exceptions, have had great difficulties

in financing the development of new areas, so much so that the only method in many cases, where any development at all could be achieved, was to turn the land over to private contractors to develop the areas. In certain other municipalities it has been virtually impossible to achieve any development at all.

The net result of the above has been that many of the municipalities have not been able to either construct or maintain their sewer and water facilities at a proper and adequate standard. It would therefore appear that they will undoubtedly have problems in expanding their future areas.

Town and community planning. Most of the municipalities in the greater Winnipeg area are members of the metropolitan planning commission and a considerable amount of planning work has been done. However, due to the municipal tax structure, there has been tremendous competition to attract industry by each of the municipalities. This in turn has meant that the over-all planning of the community has not been as effective as it might have if the whole area were an integrated metropolitan area. This probably has also resulted and will undoubtedly continue to result in increasing the costs of providing sewage and water facilities.

Personnel. With the exception of the city of Winnipeg and perhaps to a lesser degree in one or two others, the municipalities in this area have neither sufficient professional, technical and supervisory personnel, nor sufficient equipment to plan, provide

and maintain their water and sewage facilities adequately. This is particularly true of those suburban municipalities which have either been expanding at a tremendous rate or which are still very sparsely populated.

Conclusion. From the above it would appear that a more integrated reorganization of the whole area by either amalgamation or metropolitan development would assist materially in permitting the development of adequate water and sewer facilities on a more economical basis.

As I stated, this has been submitted in summary form. If there are any questions or any detailed information your commission requires, the district will be only too pleased to supply it.

THE CHAIRMAN: Thank you very much indeed. It seems to me that these two documents do supply us with the information for which we asked.

All I would like to add is to ask the city to co-operate, as I am sure they will, with the research staff of the commission, who are working on the social capital requirements studies. If they need more information perhaps we can ask you for it.

There is one question, though, I would like to ask now, if I may. You refer to the Municipal Improvements Assistance Act, and comment on the fact that it is dormant at the present time, but suggest that it would be very helpful to you if it were re-activated. In your opinion should that kind of

assistance to municipalities come from the federal government through federal legislation, or could it be provided equally well by the provincial government?

MR. SIMONITE: I imagine that act was passed by the dominion government for assistance to the province, really to pass on to the municipalities. It would not affect Winnipeg as much as it would the suburb municipalities. That is, it would not be as valuable to Winnipeg as to some of the suburb municipalities.

THE CHAIRMAN: Well, sir, if we may, we will get in touch with your officials if we require further amplification.

MR. SIMONITE: We shall be very glad to help in any way we can. We have with us Mr. William Harris, our city engineer; Mr. Kerr, deputy finance commissioner and Mr. Bubbis of the greater Winnipeg sanitary and water districts.

THE CHAIRMAN: If you will permit us, I think we would probably do a more intelligent job of asking questions if we could follow up a little later, than if we were to proceed with any questions now. We are grateful to you.

MR. SIMONITE: We assure you of any assistance we can give you.

THE CHAIRMAN: Thank you very much. Now I call upon Mr. Parker. For the record I would just like to state that you are appearing for the Manitoba Pool Elevators, and that this submission will be labelled Exhibit 26.

Perhaps I should also apologize for the fact that it is late in the day, but I know you will not be here tomorrow. If you would prefer it, we will carry on as long as you like. If you should get tired, tell us and we will start in again on Wednesday.

MR. PARKER: Very well, Mr. Chairman.

If I may I will present this now. I do not wish to read it all, and if I abbreviate it you may be kind enough to read the complete brief. If time gets a little too late I would be quite happy to be present Wednesday morning, but I could not be here tomorrow. I shall leave that to your discretion.

First I should perhaps say that these stencils were just run off this morning, and some of it is a little rough. The submission is addressed to you, sir.

It is my privilege to appear before you and present thoughts on Canada's economic prospects -- thoughts and opinions which have been stated by farmers who, through voluntary organization, have established Manitoba Pool Elevators.

I appear in response to your letter dated Ottawa, September 28, Mr. Chairman, inviting me to present my "views on probable development and problems which may be encountered in the production and marketing of grain in Manitoba over the next 5, 10, 15 and 25 years" and, further, any comments I might care to make regarding possible changes in type of agriculture.

When my board of directors was made aware of your letter, Mr. Chairman, I was instructed to accept the invitation. However, I should advise that my board has not had an opportunity to study the material in this submission, and I personally accept responsibility for same.

The history of farm organization in western Canada covers a period extending over half a century.

The wheat pools of the three prairie provinces were established under special legislation over 30 years ago.

I have the articles of incorporation here, but I shall not quote them. In them the principle of mutual help is dominant, and that is the principle which still guides this organization.

You will observe from the above that the principle of mutual help is dominant. It is this principle which has guided the organization in the ensuing years.

Manitoba Pool Elevators is the agent of 211 individually incorporated co-operative elevator associations, voluntarily federated and associated in Manitoba Pool Elevators for management purposes. The combined membership of these locals is approximately 35,000 farmers. They delivered to their own facilities 50 per cent of all the grain marketed in Manitoba in the grain year ending July 31, 1955.

In annual convention, accredited delegates, one from each local regardless of size, representing the members of these elevator associations consider and determine policies in respect to grain handling, marketing and many other phases of social and economic aspects of rural living in Manitoba, and the broader aspects of Canada's well being.

Historically, the farmers of western Canada have been imbued with optimism. If they were not they would not have stayed here at times. It is with this same spirit of optimism that we view Canada's future, looking forward to an ever expanding economy.

We are conscious that agriculture has an important role to play, and that its programme must be sufficiently flexible to readily accommodate itself to the changing pattern resulting from increasing industrialization and urbanization of population. We believe that an examination of the pattern and trend of production of the past will in some degree indicate the production activities of the future. We do not propose to make this review at all exhaustive because we recognize that much more detailed information will be submitted by other bodies.

The population of Manitoba has increased by 120,000 during the period 1941 to 1955, to reach 849,000 people at the last census. During this period 1941-1951 there was a decrease in the farm population from 249,599 to 219,233 representing a decline of 6 per cent. Farm population now accounts for 28.2 per cent of Manitoba's total. The size of farms is gradually increasing, especially in certain areas.

It is expected that acreage per farm in the grain growing areas of the province will continue to expand, while farms near the city of Winnipeg and a few of the larger towns where industry is located will decrease in size, due to production of specialized crops such as sugar beets, sunflowers and vegetables, that is in Brandon, Portage la Prairie, Morden and Altona.

The Canadian prairies have been viewed as a land of opportunity. This country was opened up by settlers who came largely because land was easy to

acquire; but not all people who came were experienced land workers. The spirit displayed by these people, and their achievements, is inspiring. Mistakes were made, the greatest of all being the exploitation of the soil due to ignorance of good farming techniques, and a desire to get the quickest return. Steps have been taken under government programmes to rehabilitate some of the wasted soils by the advocacy of better land-use methods, and to recover lost fertility through soil-building crops. Manitoba Pool Elevators has rendered what assistance it could to these programmes by both practical and educational means.

Technical advice to farmers in the management techniques of soils, crops and livestock is an accepted activity on the part of extension service workers from universities and governments. It is difficult and almost impossible for a busy farmer to find all the information he needs for efficient production. Extension services should assemble and disseminate information in a form which farmers, many with a limited academic education, can easily assimilate. The ready acceptance by the farmers of Manitoba of changing methods and techniques indicates readiness to adopt new ideas and constructive programmes.

We suggest that the farming enterprise in Manitoba requires a varied degree of skills, that is, management of finances, soils, plant science, crops, animal science, labour management and machine use. To be successful and efficient the farmer must be able to competently assess the relative amount of

finances invested in land, buildings and machinery that may be serviced by the long-term potential production of the farm unit. The adequate and economic employment of land resources, labour and machinery on the farm unit obviously requires a degree of understanding and skills which generally can be acquired only through painful experience.

The farmer as an individual enterpriser is continually subjected to high pressure salesmanship and national advertising, which may tend to encourage overcapitalization, in machinery for instance, beyond the potential productive capacity of the farm unit. It is our considered opinion that in this field of farm management there is great room for extension service work, which up to this time has been largely neglected.

During the last 10 years electric energy has been made available to 85 to 90 per cent of the farms of Manitoba. The use of electricity and the almost complete mechanization of the farms of this province inevitably lessens the man hour input required for the same total production. It seems obvious that the electrification and mechanization of the industry must lead to more specialization in the production of certain field crops, livestock, dairy products and poultry. Such specialization will eventually lead to concentration of these crops and production programmes in given areas.

With the continuation of the present trend toward industrial development in Manitoba, which is no doubt outlined in some detail in the Manitoba government's brief to your commission, it is a corollary that with the increased urban population resulting therefrom the

demand for certain agricultural products, such as live-stock products, certain field crops, dairy products, poultry, vegetables and fruit, will be greatly enlarged. We believe this will provide opportunities in certain lines of specialized and intensive endeavour, and will create further need for more technical knowledge.

For these reasons we stress the need for extension services to give attention to the development of an adequate farm management advisory service.

The next section is on field crops, but I am not going to read it. It is there. The figures are taken from the dominion bureau of statistics or the Manitoba government service. I point out that field crops have been increasing in importance while wheat has been decreasing in importance. The area devoted to wheat has been decreasing in late years and now occupies about 8 per cent of the wheat acreage of western Canada. On the other hand the barley acreage is increasing rapidly on many farms.

Barley. Acreage sown to barley has increased from 567,000 acres in 1915 to 2,202,000 in 1954, and now exceeds wheat acreage for the first time in Manitoba's history. Many Manitoba farmers now direct their efforts to the production of barley for the malting trade, and some have become specialists in its production. This development has diverted land from wheat to barley, and the market for much of this barley in the United States provides Canada with United States exchange.

Oats. Oat production has shown little variation over the past three decades, and is now

approximately the same at 1,510,000 acres.

Flax and rye. Both these crops have shown variable acreages, with rye only 84,000 acres in 1954 and flax 440,000 acres, which crop has increased noticeably since the use of selective weed killers has become common practice in the past decade. The fact that flax can be promptly marketed is a contributing factor in its increase. No doubt you have had these figures before, so I shall not read them. Now we go to livestock, and we give these figures, which are largely estimates.

Livestock. During the past 35 years there have been noticeable changes in some phases of livestock, dairy and poultry production in Manitoba.

Horses. Numbers of horses have declined from 420,000 in 1920 to 82,000 in 1955. This decrease has probably freed as much as 750,000 acres for grain and forage production for other kinds of livestock or poultry in this province, or for export channels.

Sheep. Numbers of sheep have declined from 156,700 in 1920 to 57,000 in 1955, after reaching a high of 327,000 during world war II. Produced for the most part on submarginal land, the decrease in numbers has had little bearing on production of other livestock classes.

Hogs. Hog numbers have varied greatly over the past three decades, but show a tendency toward a gradual increase while going through 5 year cycles of variation from low to high. There were 212,500 hogs raised in Manitoba in 1920; a high of 875,000 was

reached in 1945 which has since declined to 1,008,000 in 1955.

Cattle. Cattle numbers have shown the least variation of any class of livestock. In 1920 there were 750,000 head on Manitoba farms, a high of 1,024,000 was reached in 1945, gradually decreasing to 675,000 in 1955. It can be safely assumed a gradual increase in both beef and dairy cattle numbers will be evident during the next few years.

Poultry. The most noticeable increase has been in poultry, which numbered 3,100,000 in 1920 and nearly 7 million in 1955. The gradual decrease in the horse population has corresponded very closely to the trend of increased poultry production. It is likely that many of the man hours required for the care of horses has been transferred to the poultry industry, together with much of the grain formerly consumed by horses.

Dairy products. Dairy products have shown increased production in all phases. Creamery butter is up from 8,500,000 lbs. in 1921 to more than 25,000,000 lbs. in 1954. Cheese production increased to 3,980,000 lbs. in 1944 but has since fallen to 1,227,000 lbs.

Whole milk production is up from 209,000,000 lbs. in 1921 to 313,710,000 lbs. in 1954. Ice cream production has gradually increased from 652,674 gallons in 1921 to 1,706,000 gallons in 1954. These figures I believe you have had before, and there is no point in repeating them.

Manitoba farm income. Gross farm income in Manitoba has varied greatly since 1930, the largest

average returns per year having occurred in the years since 1949. The same is true of net farm income.

In the case of wheat, the same argument holds. However, it is significant that in the per cent of total farm income wheat is not the important factor it was in the years prior to 1941. In 1940 cash income from wheat in Manitoba represented almost 55 per cent of total farm cash income. In the four years ending 1953 the percentage of cash income from wheat, compared with total farm cash income, was less than 33 per cent. In 1952 and again in 1953 it dropped below 29 per cent.

It is estimated, for conversion purposes, that 2 1/4 bushels of wheat are required to produce one 98-lb. bag of flour. From this a baker expects to produce, with other ingredients, 150 one-pound loaves of bread. On the basis that mills now pay approximately \$1.80 per bushel for No. 1 Northern, and disregarding mill by-products, the value of the wheat in a loaf of bread is barely 3 cents. The price to the consumer today is 15 cents per loaf in this city. In late July, 1929, when mills were paying a comparable price for wheat and the value of wheat in the loaf was then the same as today, approximately 3 cents, but the consumer was paying only 7.7 cents per loaf, so he is paying almost twice as much today. The figure of 7.7 cents was an average, because we had wrapped and unwrapped; we had pickup and delivery and so on. Today it is all one price, no matter how you get it. The higher cost of today's loaf of bread has obviously gone into higher costs for other

ingredients, labour and merchandising. And, for the record, it is interesting to note that the mill extraction rate for both periods is to all intents and purposes identical, at 72 per cent.

On the next page we quote cash farm income from 1930 to 1953, dominion bureau of statistics figures. These are cash income from wheat and the percentage of the income derived from wheat. We think those figures have some significance in the long term trend in this province. Then we quote 5 year averages, which probably have been presented to you already.

Now if I may I should like to say a few words on livestock.

World markets. The former market for Canadian beef in the United Kingdom ended in the early 1930's. The large world war II market for Canadian bacon -- that was the United Kingdom contract for bacon -- in the United Kingdom ended shortly after the conclusion of the war, due mainly to the higher prices for livestock on the North American continent and the outlets created for Canadian cattle, beef and pork in the United States.

United States and Canada. Considering the United States and Canada as one unit -- as we submit you must in consideration of these problems -- because of reciprocal trade agreements in livestock and livestock products, the outlook for a limited increase in Manitoba livestock numbers appears a reasonable assumption.

The annual increase in human population is presently 3 million per year in the two countries. This, coupled with greater longevity and relatively full

employment at high wages, has led to greater consumption of red meats, poultry and dairy products. The per capita consumption of red meats in the United States has increased from 127.3 lbs. in 1930 to 164 in 1954, and in Canada from 123.2 lbs. in 1930 to 146.4 lbs. in 1954.

The same upward trend is also noted in consumption of poultry meats, eggs and in dairy products, all of which reflect a higher standard of living in the industrial population.

Market trends. Manitoba feeder cattle have moved in increasing numbers to eastern Canada for finishing, while exports to the United States have fallen off in recent years. Few live hogs are exported to the United States, but a definite increase in both beef and pork cuts exports to that country has resulted in the past few years. I think we exported about 13 per cent of all the hogs slaughtered in inspected plants in the United States. High quality lean Canadian bacon will, in all probability, find continued outlets in the United States. Cattle numbers appear to have levelled off in the United States -- 96 million head in the last three years -- and the increasing human population could provide further outlets for Manitoba and Canadian cattle or beef. Incidentally it is mostly beef that is going down there, not many cattle. We have the privilege of moving in 400,000 a year under the duty of 1 1/2 cents a pound. After that it goes up to 2 1/2 cents. We think in view of the long range prospect for the increased population of the United States, particularly if their economy remains buoyant, which it will if they continue to have full

employment at good wages, we should always have a reasonable market for any surpluses we may have in this country. That is one bright spot in agriculture at the moment.

Grain marketing -- Manitoba percentage of production. Prior to the 1950-51 crop year Manitoba's average wheat production in the three previous decades ranged from 10 per cent to 13 per cent of total prairie wheat production. In the 5 years, 1950-51 to 1954-55 inclusive, Manitoba's percentage averaged only 8.7 per cent of that production, a fact which confirms that the Manitoba production cannot be regarded as contributory to the present "burdensome surplus" of wheat in Canada.

While production figures might be disputed, the trends above indicated are born out effectively by a survey of marketings for the same periods. In the 10 years ending 1949-50 Manitoba farmers marketed 13.3 per cent of the total wheat deliveries in western Canada, while their average deliveries for the 5 years 1950-51 to 1954-55 amounted to only 9.4 per cent of total prairie wheat marketings. May I emphasize the importance of wheat to the Canadian economy. Though the acreage and the proportion in Manitoba has gone down, we still feel it is extremely important to us.

It must be remembered, however, that wheat has, for a number of decades, been the barometer directly or indirectly responsible for the determination of prices for most agricultural commodities in the primary markets. Wheat will continue to be the barometer for many years to come, a statement that is based on the fact that wheat

is, and appears likely to remain, the largest surplus exportable commodity produced by the agricultural industry in Canada. It seems reasonable to assume, therefore, that regardless of what other agricultural production programmes are introduced or expanded in this province, the prices obtained for all agricultural commodities produced in Manitoba will reflect fluctuations in wheat prices resulting from the heavy wheat production of Saskatchewan and Alberta. The ability of producers to market their grain and the price they receive for this commodity is reflected quickly in Canada's income. Because Canada is now holding a large supply of wheat the whole question of wheat marketing is in the limelight. The attention of government, business and press is focused on the ability of Canada to market wheat. It is a controversial question. It has been a controversial question on many occasions since the prairies produced wheat for outside markets. It is self evident that centralized marketing, commodity agreements and similar undertakings are the children of necessity. Every time the federal government participated in grain marketing, it was because the nation's interest was at stake.

The first major wheat operations of the Canadian government occurred during the years 1917-18 and 1918-19 when the handling of Canadian wheat was done through a federal government controlled board known as the board of grain supervisors.

The board of grain supervisors was discontinued at the end of the war, and its place was taken by the Canada wheat board, established in response to the

demand of organized farmers through the old Canadian Council of Agriculture. The wheat board was considered necessary at that time because the buying of wheat in Europe was controlled by governments, financial arrangements abroad required constant government intervention, and the United States had established government control over the purchase, sales and price of wheat. This first Canada wheat board was brought into existence July 31, 1919. It operated on the "pooling principle" for the first time and afforded the western wheat growers a demonstration of a method of marketing which they support to this day. One year later, on August 18, 1920, the government terminated the operations of the wheat board and futures trading was resumed on the Winnipeg grain exchange, after being suspended almost continuously since May, 1917.

In 1923 and 1924 the farmers organized a voluntary contract pool in each of the three prairie provinces. Between 1923 and 1930 the pools, through their central selling agency, marketed approximately 50 per cent of all wheat delivered. The general economic depression and consequent debacle in wheat prices compelled the dominion government to enter into certain guarantees, and in November, 1930, the late John I. McFarland became manager of the wheat pool central selling agency operating under dominion government guarantee. Mr. McFarland carried out what was termed price stabilization measures until the fall of 1935 when he resigned.

Mr. McFarland was a supporter of what we call the futures or open market. The late Mr. McFarland

was given a complimentary dinner in Calgary on February 14, 1936. At that dinner he made a speech from which I have given an extract in the brief. I leave it to you to judge whether or not Mr. McFarland knew what he was talking about in this quotation, which I shall not read.

We believe the continuous operation of the Canadian wheat board commands almost unanimous support of Manitoba farmers. This belief is based on the premise that the conditions which persuaded the government to establish the Canadian wheat board still exist, and that the operations of the board have given satisfaction to a large percentage of producers. This contention is supported by the following conditions:

A. 96 per cent of the world's wheat is produced and marketed under some form of government support. The market is influenced by price support programmes maintained by tariffs, quotas, import restrictions and production controls.

B. Efforts made in other countries to maintain the producer's income at a desired economic level, and to protect him against the competitive force of cheap imported products.

C. This almost universal attitude of governments is promoted by their search for a solution to the chronic surpluses which have been a recurring problem for 30 years, save only the years of crop failures caused by droughts in North America in 1934 - 1937.

I think it is proper to state that surpluses caused governmental participation in marketing, rather

than that governments in marketing created surpluses; in wheat for example.

D. It is impossible to assess the value and accomplishments achieved by the Canadian wheat board as a mathematical calculation. It is possible to record the satisfaction with its operations as voiced by producers. In every large organization of farmers in the three prairie provinces resolutions endorsing the wheat board are repeatedly being adopted.

The growers of coarse grains in Manitoba were asked by the Manitoba government if they were satisfied with the results obtained after two years experience of marketing their oats and barley. The referendum, taken in November, 1951, asked the question: Do you wish to continue to sell your oats and barley as at present?" Out of a possible vote of 51,803 producers, 34,889 polled their vote, with 31,052 voting "Yes". 89 per cent voted in favour of a continuance of the marketing of coarse grains by the Canadian wheat board.

We believe that similar strong support for the wheat board prevails today.

It is impossible to place too much emphasis on wheat when considering Canada's economy -- past, present or future. Wheat, in terms of monetary value, is the second largest commodity produced in the world, the first being rice.

In world trade, wheat is one of the major factors and makes a direct impact on world prosperity, providing as it does about 7 per cent by value of the

total trade in commodities and raw material; exceeding cotton, coal, pig iron or oil.

As in the 1930's there is no true world market in practice or theory. They are separate, insulated, national markets where wheat production is almost everywhere subsidized, restricted and controlled, with wheat export subsidies in the United States, France, Turkey and others.

These forces have created the present world wheat situation. Policies, in the interest of national economies and of the domestic wheat producers by the larger nations of the world have created a world problem and only at the world level, by consultation and agreement, can the problem be considered, attacked and a solution sought. The day has passed when stability of sales and prices can be secured by national measures alone. International measures are essential if international difficulties are to be remedied. The farmer members that I represent fear the dire consequences that would befall them if Canada should follow the advice to "blast its way into the world's market". Such a policy would bring disaster first to agriculture and shortly thereafter to the nation as a whole.

Bargaining between buyers and sellers will continue, but consultation and international co-operation are most desirable. This approach alone can lead to stability in international trading in grains.

In the restricted and controlled market of today, a pattern which will continue in the foreseeable future, a central selling agency with national support,

will be a necessary essential of Canada's wheat policy.

International wheat agreement. The farmer members of the organization which I represent have wholeheartedly supported the international wheat agreement. They support the principles upon which the agreement is based, namely that unrestricted competition is not in the interests of either the producer or the consumers. They believe that within the framework of an instrument negotiated by the governments of the countries concerned in the export and import of wheat there can be an assured supply and an assured market that will protect both the sellers and the buyers. They believe also there can be a maximum price agreed upon which will protect hungry people against exploitation in times of scarcity and on the other hand that there can be a minimum price agreed upon which will protect the solvency of the majority of the wheat producers in times when nature in its beneficence may bring forth more than is required at the time.

The range between the minimum and maximum prices named in the agreement should permit a reasonable degree of flexibility to reflect the demand and supply position of world wheat. Such an agreement, if negotiated and honoured in practice and in spirit, would do much to facilitate world trade in wheat and would be extremely helpful in promoting international trade in other products.

We would hope that in the negotiation of such an agreement the representatives of the nations now convened at Geneva under the auspices of the United Nations -- which I think should raise it above the level of just plain bargaining -- would seriously reconsider their domestic

agricultural policies to the end that their peoples may have access to bread made from wheat grown in areas where it can be produced most economically. They should also give serious consideration to developments brought about during the period of the 1930's by high protective tariffs and domestic wheat subsidies which were detrimental not only to the countries imposing them but to international trade in general.

We in western Canada deplore the protective devices being used in certain countries. We resent the highly subsidized export dumping policies of certain nations. As farmers, we are prepared to compete fairly with producers elsewhere. But, as farmers we cannot compete with the combined resources of their national treasuries.

Support prices. A high level of farmers' purchasing power aids greatly in maintaining a buoyant economy in Canada and, therefore, national policies should be designed to prevent farm income from dropping to disaster levels. Many industries in Canada enjoy privileges and protections under the fiscal policy of the federal government. Another group within the Canadian economy enjoys the privilege of unemployment insurance which, to a considerable degree, is subsidized by the state.

Labour has the privilege of negotiating contracts and exercises its right to use the strike weapon in enforcing its demands.

Agriculture must compete within this greatly modified free enterprise economy. In the main, however, the price received for agricultural products -- the result

of the ~~farmer's~~ labour -- is determined on the export market.

For these reasons we support the principle of a price support policy for Canadian agriculture, and we support the particular formula presented to the government of Canada at Ottawa last February by the Canadian Federation of Agriculture.

This formula recognized that price incentive should tend to allocate resources and labour, and that a price support level that proves to be an incentive to production will tend to create a surplus of the product which, in turn, may necessitate state control of the producer.

Therefore we believe the price support level of any commodity should be, first, a non-incentive one; secondly, the price of any particular commodity today should be adjusted:

(a) In respect to the index of wholesale prices of all farm products for the latest 10-year period;

(b) To the farmer's cost of commodities and services for the same 10-year period, and to the average price of the commodity itself for the same 10-year period.

Then we have an example worked out for wheat, which is self explanatory and which is suggested in the range of the actual price of support as discretionary at 65 per cent to 85 per cent of what we call the fair average price, depending upon the supply position and other circumstances at the moment.

Although wheat production in Manitoba is decreasing in importance, Manitoba's agricultural economy is very sensitive to the volume of wheat that can be marketed and exported from Canada and the price obtained for same. Western Canada, after providing for the home market, must find export outlets for the production of about 24 million acres of wheat: otherwise, inevitably the prairie region will become a depressed area.

Now, this is largely a summary. Manitoba can and will produce agricultural products in excess of its own need. Free and fair access to foreign markets for the surplus is an essential requirement for Manitoba's future.

It is logical that free imports go hand in hand with free exports. The necessity for export of Manitoba's products makes it imperative that countries which buy from us have ready access to the markets on this continent, namely the dollar area. To achieve this objective the government of Canada must be urged to so design its trade policies, its fiscal and tariff policies so that the freest exchange of commodities is stimulated.

Canada, by example, and by every other means at its command, should persuade governments in other lands to lower trade barriers, to modify and restrain policies of highly subsidized agricultural production and to cease the practice of subsidizing exports, which is a form of dumping as evidenced by the activities induced by the Agricultural Trade Development and Assistance Act of the United States.

It may be safely assumed that in Manitoba there will be a continuous move toward more diversification of agriculture and a greater use and production of specialized crops during the next 20 years.

It would seem that with the expansion of relatively cheap hydroelectric energy which is now so universally available all over this province, and the probable introduction of gas by pipe line from the west as an additional source of energy, we might confidently expect increasing activity in manufacturing and industry in Manitoba. Concurrent with that, we will have an increasing population, with its related purchasing power and demand for products of the farm, both for food and raw products for industries.

In this evolution of productive effort, we recommend continuance and expansion of extension services related to productive techniques and that in addition some farm management services be made available to farmers in an advisory capacity.

Canada's greatest national asset, apart from its citizens, is its resources in soil. It is an axiom that the people of any land are only as good and strong as the soil which supports them. This is true of Canada; as a new country expanding in agriculture we have during the last two or three decades exploited and mined the soil to an alarming degree. The richest soils are not inexhaustible. Soil conservation is of most pertinent concern to all citizens and, we respectfully suggest, a responsibility of governments at all levels.

Every encouragement must be given the

primary producers to develop all aspects of their industry on the most efficient basis. Similar encouragement should be given to those organizations assembled to undertake those essential functions which are beyond the influence of the individual farmer.

Canada's economic prospects are bright. She is richly endowed. Her people are energetic and self reliant. Canadian agriculture can contribute immeasurably to this bright future because agriculture brings new wealth with every harvest. As Canada's greatest single industry, one responsible for the well-being of the country's entire population, it is imperative that the Canadian people through the government of Canada maintain agriculture on the same economic plane as other industries and services.

That, Mr. Chairman, is our presentation. I shall be happy to answer questions for a little while now or later, as you wish.

MR. STEWART: I am afraid my questions will not be too well organized, because I have just been trying to follow through this brief.

MR. PARKER: Nor too easy, I suppose.

MR. STEWART: First of all on this extension service proposition, I think there is a real matter here to consider, and I would like your views on it. I notice that at the bottom of page 4 you refer to farm management advisory service. In our extension services as we have them today do we get a farm management advisory service? If not, how can we get it?

MR. PARKER: In my opinion we only get it

in the productive end. You do not touch the marketing end, nor do you get down to consider the capital investment.

That is what I am getting at. I do not think farmers have available to them management that is available to industry. Industry buys it; it pays somebody who has that knowledge, but the farmer is left alone in this matter of capital investment. Unless he is making use of a good bank -- and not many banks are equipped to give that service -- the farmer does not get that advice. I think it has been somewhat overlooked, and I think it is something that should receive serious consideration.

I am not speaking about the productive end; there are good livestock practices and more farm rotation and that sort of thing. That is common, but I go further than that.

In 1937 the mortgage companies got themselves in a bad mess from their point of view. They all joined together and provided a management service, and worked themselves right out of a job. They have not a manager of that category left now, due to the combination services which have been provided; but they give a fair percentage of that success to the advisory service or the farm management service that was available to the farmers on those mortgages.

MR. STEWART: I remember that experience. I am just wondering whether we have the kind of people to do this sort of advisory service, or if it requires a different kind of preparation?

MR. PARKER: Oh, yes. I do not think your agricultural colleges spend enough time on agricultural economics.

THE CHAIRMAN: Who should take the initiative in providing this service?

MR. PARKER: These three western provinces have extension services. Manitoba is the only one with which I am familiar, working through the Department of Agriculture.

I think that is a logical place for it; but if the government starts talking or advocating marketing or something, they are getting close to the political field, and they always shy away from it. They could advise on capital expenditure, on how much you might put into certain things in relation to the productive possibilities. But if you try to tell them to organize a different system of marketing you are stepping on toes, and I do not think any government would do that. Whether a university could do that, I do not know; I think maybe they could. They can do it objectively, on a high plane.

MR. STEWART: I wonder if you would care to comment on this line of thinking. It seems to me we do need this kind of advisory service which deals with normal farm operations, not just the technical end of producing livestock or crops. We are not turning out that kind of person; but it seems to me that person can only be developed along with some practical experience. When a man is graduated from college he does not have that practical experience; and it seems to me the

solution is to try to get people out into the field to get experience; and then, having obtained that experience, to give them something like a business administration course or business management programme, so we would have people with some practical experience as well.

MR. PARKER: But then when you give them that kind of training, industry comes along and offers them \$10,000, \$15,000 or \$20,000 a year; and agriculture will not pay that much. I think you are perfectly right; the ordinary B. S. A. is not equipped to do that, because he has not had the experience. It would be very unusual if he were experienced in that way. There were some of them, however, in the agriculture and colonization outfit in the thirties who did get a group together and did a fine job.

MR. STEWART: Could we not work out, among the farm organizations, the departments of agriculture, and the universities, a programme for taking people who have done an apprenticeship of this kind and giving them a period of training which would give them this particular course?

MR. PARKER: I think so. But don't you think the first thing to do is to have the decision made as to what you are going to want? Up to now I have seen little evidence that anybody wants to do this. We have been having requests in Manitoba in this connection because the university has set up a few small groups to do cost accounting, with Dr. Sinclair and his staff undertaking to service them for a year or so. There is a demand for it, but I think that demand needs a little encouragement. But I do not

know who should do it.

MR. STEWART: In connection with your reference to barley, which I just picked up as I went along, I had a visit the other day from one of our people who is going to Japan in order to try to sell Canadian wheat and grains there. He told me there was quite an interesting development in the export of barley to Japan. Do you know anything about that, or would you care to comment on the prospects there?

MR. PARKER: We think there is potentially quite a big market there for both barley and wheat, but it is the old question all over again; what are the Japanese going to use for dollars? But assuming they had the dollars or the exchange, there is plenty of evidence that there is a great big market there specifically for barley.

They had a trade commission here within the last week or so; perhaps it was 10 days. They were in Edmonton and Calgary and in Winnipeg for a few days to look over our grading system and the kind of barley we had available. Our ordinary six-row barley is just about the right size of kernel. They are looking for a barley that is a little thinner, and they would like one with a whiter meal than ours, because they process it by steaming off the hull and simply press it into a flat flake which looks something like rice, and they mix it with rice. It is cheaper, or until recently has been cheaper than rice; and it was quite acceptable and quite comparable.

But there is also a market in Japan for

a great deal of wheat if they had the exchange. Jerry Vogeler of Ottawa told me that when he was over there two years ago he found more milling capacity in Japan than in Canada, and he saw as good quality bread in the stores of Tokyo as he found in Winnipeg. That is quite a change from what we understood to be the situation prewar. The Japanese have a taste for bread now, and they also have the inclination to use a considerable amount of barley. They want it as cheaply as they can get it, of course, like anybody else; but I think it is a question of the exchange situation.

MR. STEWART: I was told that by the end of this year they expected to be serving in Japan 17 million free lunches to children, in the form of sandwiches.

MR. PARKER: That is right. I was talking to one of the wheat board commissioners about two weeks ago, and that is what he was told also.

MR. STEWART: On page 13 the references here are to the markets, principally livestock markets, in the United States. Do you think on the basis of past experience we can count upon and build up a livestock production on the United States market?

MR. PARKER: Well, might I state that politically it is the most unpredictable place, unless it is France; but, Dr. Stewart, that is the only market we have. Our present prices of meats on the North American continent are much higher than any place else, even in Great Britain. Meat is cheaper

there than in Winnipeg. We could not possibly send our meat over there and pay the freight; so the only place we have is this continent.

With their increase in population, and the apparent tendency to level off in beef production, we have never yet filled the quota of 400,000 cattle which we have. I have forgotten what it is this year, but I do not think it is more than 25 per cent filled.

I am not saying that if we were shipping in the 400,000 head and they got a little depressed, the political pressure there might not come to life. Of course our hog prices are higher than theirs at the moment, and all we will ship over there at present are hams and back bacon and premium cuts which enjoy a certain market at a premium over their prices. We cannot ship bellies and sides over there, because they would not go.

So I think the hog question is debatable; but this last few years it has varied from 10 per cent to 13 per cent of our kill in inspected plants, which has gone over in cuts.

The other point is this, that if United States hog prices stay much below ours, to compensate for the reciprocal tariff they are going to demand entry to this market, and we have not any argument to keep them out; so we simply level off and leave it to the transportation and the tariff.

MR. STEWART: Taking the long view, which I presume applies, that the United States economy will still expand and that this will put pressure on their

agricultural resources, your feeling is that we can count in future on a more sympathetic consideration for our agricultural exports to that market?

MR. PARKER: I do. You will have to figure out the relevancy of this, but I think for the last 18 or 20 years, at least one third of the time we imported more, dollar value-wise, of agricultural products than we exported. We are bringing in products to the value of \$100 million a year, in citrus fruits and that kind of thing, so we have a great deal of sympathy in the western states and in the southern states to keep our trade flowing. It is in the central states, immediately south of us, where you get the objections.

So I think if their economy remains buoyant, with full employment at high wages, we should expect for quite an extended period of time to enjoy a very reasonable market in the United States; with temporary setbacks, perhaps, but I do not fear it.

MR. STEWART: I refer to page 14, and the paragraph which was directed particularly at me. I am likely walking into some difficulties here, but I would like to try to get the facts. You will see the figures here giving the percentage of production. Can you give us the figures of acreage, which is after all a reflection of the intention of the producers, at any rate?

MR. PARKER: No, I cannot offhand. I do not think we put the Manitoba acreage in here.

MR. STEWART: Am I correct in understanding that over the last period of some years there has been no substantial increase in total wheat acreage?

MR. PARKER: Wheat acreage has varied since 1945 between 24 million, 24 1/2 million and 25 million acres. Climatic conditions are such that the wheat acreage remains pretty well static. Manitoba has gone down until now it is about 1,900,000 acres.

MR. STEWART: In subsequent paragraphs you place a good deal of emphasis on the fact that there is no free market for wheat, really, because in practically all the countries of the world there is some government interference?

MR. PARKER: That is right.

MR. STEWART: Government interference in wheat production, sale, exports, imports and so on?

MR. PARKER: Yes.

MR. STEWART: As I followed your reading of this brief, it seemed to me that in part this was being developed as an argument that because these things are so, therefore we have to do certain things. Then later on there is a paragraph -- I do not see where it is at the moment -- in which you press very strongly for action to eliminate these things. Is your position, then, that if these things could be eliminated there is no argument for the kind of controlled marketing you are suggesting?

MR. PARKER: No. I anticipated that question, because the one statement in the brief seems contradictory to the other. You are never going to

eliminate them all. Free trade will always be modified to a certain degree, so you will always have some restrictions.

What we are objecting to is the highly uneconomical subsidization; the subsidization of exports, the quota restrictions and so on.

There will always be some tariffs in international trade.

When you come down to the principle of the wheat board marketing here, I think the vast majority of the western wheat producers prefer the pooling system and the one selling agency for selling our wheat.

You know the feeling in the west as well as I do. They have many reasons for that. They feel a much greater degree of protection in principle. They may insist on some kind of price support at some level, and this will always be a controversial question; but they like the principle of an initial payment; to have the wheat sold as best they can, and then get a final payment. To throw all that overboard and ignore it entirely, which you are suggesting, is contrary to part of my thesis here, and they would not accept that at all. I am quite confident there would be violent objection to it.

MR. STEWART: What is the practical position that can be taken in this situation? Do you think we have to take it as one of the facts of life that countries will control agricultural production?

MR. PARKER: Well, you can take it as one of the facts of life that no country is going to

throw its producers to the wolves again. In this matter there will be some sanity at the higher level introduced into the picture, and governments will not get themselves out on a limb again, in the main, as some of them are doing now. But to say they will remove all price controls or supports -- no, that will not happen again. I have attended too many international meetings; I know the feeling of the farming organizations in their respective countries. They have accepted the principle that surpluses are generally the responsibility of the country that produces them, and that they should be looked after at home. But I suggest they are not looking after them; they are subsidizing their export.

Canada has never subsidized wheat exports. The only subsidy has been the \$65 million in connection with the United Kingdom wheat agreement. We are the only country where the wheat farmer is carrying the full load, even including the interest paid on grain in public storage in Canada. The farmer has paid \$19.5 million in interest alone, not counting carrying charges. The farmers have carried the complete load, and even yet they have not asked for subsidies. But they are getting close to the point; and that is why we are pleading to get some sanity into this picture at the higher levels, to give us some degree of equality with the farmers elsewhere. If that cannot be achieved, then of course some other factors will have to be considered.

MR. STEWART: Would you care to state your views as to the real nature of the wheat surplus

today, having in mind the variability of production?

MR. PARKER: In Canada?

MR. STEWART: Yes.

MR. PARKER: Almost solely due to the incredibly large crops of 1952, 1953 and 1955. We hit almost 600 million bushels a year, and the normal production is 400 million bushels, of which we export 250 million and consume 150 million at home.

You cannot push your production of any commodity up by 50 per cent in any one year and assume you are going to sell it all.

In large measure our wheat surplus is due to the unprecedented production on the same number of acres. The situation in the United States is entirely different. They have had a combination of a vastly increased acreage, from 55 million to, I think, 76 million, and only recently they got it back to 55 million, by government decree. That surplus was the result of the high price support plan, coupled with the greater acreage. They got the same yields we got in several of those years, and as a result they had a huge surplus. Per capita, in respect of our economies, I think our surplus is even greater than theirs.

That, I think, is why they get so panicky. Canadians have not become nearly as panicky as the Americans have.

The other thing coupled with that is that since the war, and particularly since the Korean thing was over, the United Kingdom and western Europe have completely rehabilitated their wheat economy. They are

back producing again, in slightly greater quantities than before 1939, so there is not so much chance to market excess production in that area any more. We cannot expect to sell much more than the long time average unless they are going to decrease their production and greatly increase their population.

I think the plain answer to the question of the reason for our surplus is the excessive yield on the same number of acres. Of course the Americans did take some share of the market that was available. I do not think it was significant, but I think it could get worse.

Does that answer your question?

MR. STEWART: I was just wanting your views on that. I have one more question dealing in a general way with your comments on the price of pork. Earlier today I said something about price having two functions, distributing income and directing production. As a matter of fact price has a third function in the current production. It enables you to move the products which are on hand; that is, it can be an inducement to the buyer to take what is available.

This is a further complicating factor. You bring in controlled prices to regulate income. Then it appears to be at a level which does at least maintain the over-all increased production; but we cannot sell it at that price. In that situation, is it your view that the price that can be obtained in the market should be taken and that the government presumably should stand in between? Because that is

subsidizing, is it not?

MR. PARKER: Are you talking of wheat or a principle, now?

MR. STEWART: I am finding out what you have to say about pork?

MR. PARKER: We preface that formula we suggest for the prices of pork by saying that a support price is not a productive price. The price should be something which will keep the relatively efficient producer solvent; that is all. When you get higher than that it tends to become an incentive to production which may take you beyond the consumptive limits. So we hope the price will not necessarily be maintained at a level which will bring about excess production.

No; when you come to this 65 per cent or whatever formula may be determined by the government, then you pose a very difficult question. I do not know the answer to it, except that I think it is the responsibility of the country producing it. I do not think they should dump it on the world market and destroy somebody else's market. There must be other ways of adjusting production so we do not get too far out on a limb.

THE CHAIRMAN: Well, Mr. Parker, we are extremely grateful to you, not only for a brief that speaks for itself and deals with these, as you say, controversial questions in a very forthright manner, but also for the way you have amplified the various points in reply to Dr. Stewart's questions, who is

our guide in these matters.

Thank you very much.

MR. PARKER: I am very happy to have been
here.

---At 5.40 p. m. the commission
adjourned.

ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

WINNIPEG, MANITOBA November 15-16, 1955

VOLUME 6

Tuesday, November 15, 1955

The commission resumed at 10 a. m.

Appearances:

Mr. Eldon L. Brown, president,
Sherritt-Gordon mines;

Mr. F. D. Shepherd, executive vice-
president, Mid-west Metal Mining
Association;

Mr. R. E. Moffatt, counsel;

Mr. J. D. Wilton, president;

Mr. Paul Turko;

Mr. J. T. Monkhouse;

Mr. H. S. Fry;

Manitoba Federation of
Agriculture and Co-operation;

Mr. J. N. Galonsky, secretary treasurer;

Mr. W. H. Jorgensen, director;

Manitoba Farmers' Union;

Mr. A. S. Leach, chairman of board and
vice-president, Searle Grain Company;

Mr. R. S. Elliott, economic adviser;

Mr. R. N. Hickman, vice-chairman and vice-
president, Norris Grain Company Limited;

Mr. D. G. Thomson, vice-chairman and
export manager, James Richardson and Sons;

Mr. B. Kroft, past chairman;

Winnipeg Grain Exchange;

Mr. G. F. Greene, honourary secretary;

Mr. E. W. Thrift, director;

Metropolitan Planning Commission,
Greater Winnipeg;

Mr. C. E. Joslyn, vice-chairman and director,
Downtown Business Association;

Manitoba Division, Community
Planning Association of Canada

THE CHAIRMAN: Well, shall we come to order? Mr. Eldon Brown has been kind enough to come from Toronto to give us the benefit of some of his ideas and to answer questions, and we are particularly grateful to him for going to this trouble; even more so as the weather in Toronto was lovely and it is a long time, as he mentioned to me, since he was accustomed to roaming in northern Manitoba.

Would you like to commence, Mr. Brown?

MR. BROWN: Mr. Chairman and members of the commission and gentlemen, first of all I think I should make it clear that I am not presenting a Sherritt-Gordon brief. I have heard myself called on various occasions Sherritt-Gordon Brown; but this time I am not Sherritt-Gordon Brown. I am speaking as one who has for the past 29 years been engaged in mining in northern Manitoba, being connected with mines that were as far as God's Lake on the east side of the province, right across to the Sherritt-Gordon operations which are on the west side of the province. So I think I may reasonably claim to know something about that part of the province of Manitoba.

In general the part of the province about which I propose to speak is the area located north of a line running from God's Lake on the east side of the province to Flin Flon on the west side. The area, I believe, actually constitutes slightly more than half of the province of Manitoba.

This area is largely underlain by pre-Cambrian rocks and geologically is similar to the pre-Cambrian areas of Quebec, Ontario, Saskatchewan and the Northwest Territories. With the exception of a relatively small portion in the southwest corner where rock is generally well exposed, the area is one of low relief with much of the surface covered by lakes, muskegs and sand plains through which occasional low ridges of rock protrude. In the southern portion of the area well drained sections are covered by a fair growth of spruce, jackpine and poplar while the poorly

drained sections and muskeg areas are covered by a sparse growth of black spruce and tamarack. Proceeding northward the forest cover thins out rapidly with the northern boundary of the province being largely in the barrens.

In order to forecast the future development of any area it is first advisable to consider the development of the area to date. The five industries which have become established in this area are trapping, fishing, lumbering, the tourist industry and mining, the latter being by far the most important both from the standpoint of the total value of the annual product and from the standpoint of the number of people supported by the industry.

Trapping was the pioneer industry in the area, having started long before the province was organized. With the conservation measures instituted by the provincial government this industry should continue to provide a relatively low standard of living for a small number of people.

The fishing industry is of much more recent development and in my opinion its value to the provincial economy is questionable. It also provides a relatively low standard of living to a small number of people, but at the same time it depletes the fish population of the lakes making them less attractive to tourists. In forecasting the future of this industry I would expect it to decline rather than to expand.

The lumbering industry in the area of which I am speaking is also of fairly recent development and

is not of great importance. It is confined to the southwestern fringe of the area and, due to the slow rate of growth and the relatively small areas of commercial timber, it does not offer much promise for the development of permanent forest products industries of any magnitude.

The tourist industry is the youngest industry in the area, and with proper encouragement and supervision it should be capable of considerable expansion. The area has much to offer the tourist in the way of beautiful lakes, better than average fishing and generally favourable weather conditions during the summer season. It is handicapped, however, by a shortage of roads. With the exception of the one road from The Pas to Flin Flon, tourist access to the area is limited to travel by rail or by air.

Mining development in the area started about 40 years ago with the first metal production coming from the Mandy mine in 1917. Compared to the rate of expansion of the mining industry in the pre-Cambrian areas of Ontario and Quebec the growth of the mining industry in northern Manitoba has been disappointingly slow. The following are some of the reasons which can be advanced to explain the situation:

1. Mining in the pre-Cambrian area of Ontario got off to a good start after the discovery of the Sudbury nickel-copper deposits during the latter part of the nineteenth century, followed by the discovery of the Cobalt camp in the early years of the twentieth century. After the end of the first great war prospectors from Ontario following the belts

of favourable rocks across the border into northwestern Quebec were responsible for the development of the mining industry in that area. Northern Manitoba, being remote from any of the older established mining areas, consequently never had the benefit of such an influx of experienced prospectors from an adjoining area.

2. With the exception of a small section on the west side of the area, south of the Churchill river, the pre-Cambrian area of northern Manitoba is much more heavily covered with glacial drift than the pre-Cambrian areas of the other provinces and of the Northwest Territories. Also a higher percentage of it is covered by lakes. In general, rock conditions which are favourable for ore deposition are also conducive to surface erosion. Consequently these local areas of favourable rocks are likely to occur as depressions in the general rock surface which are either filled with glacial drift or with water. This makes ordinary prospecting very difficult and greatly reduces the prospector's chances of making a discovery. Consequently northern Manitoba has not been as popular a prospecting field as the other pre-Cambrian areas I have mentioned.

3. The lack of transportation facilities has tended to discourage the development of small mines in this area. The Canadian National Railways has demonstrated a proper pioneering spirit in extending their rail lines to serve the larger base metal mines. However, with the exception of the road from The Pas to Flin Flon and the road from the Hudson Bay Railway

to Snow lake, the area is practically devoid of roads. Consequently a small mine operation would be dependent upon aeroplane transportation or upon a three month period of winter freighting over snow roads. While it is possible for a small gold mine to operate under such conditions it would be impossible for a base metal mine to operate efficiently.

4. Another feature which has tended to discourage mining development in northern Manitoba is the lack of available power. The independent mining operations in this area have been fortunate enough to be able to purchase power from the Churchill River Power Company. Two other operations developed hydro-electric power at their own expense. All the other mining operations have had to depend upon diesel engine or steam power, both of which are very expensive in this area where fuel has to be brought in at considerable expense. There are a number of good power sites on the Nelson and Churchill rivers, but they are all of major size and would require a large amount of capital for their development. Consequently they could only be attractive as sources of power for a number of mines or for a single mine large enough to support its own smelting and refining facilities. None of the other rivers in the area has sufficient dependable flow to make it really attractive from the standpoint of power development. In contrast to this situation I might point out that the mining areas of Ontario and Quebec are served by provincially owned hydroelectric power utilities so that any new mining development is

assured of an adequate supply of power with no capital expenditure involved.

5. The lack of custom smelting facilities in this area has tended to discourage the development of small base metal mines. In northwestern Quebec a number of independent copper mines have been developed and put into production, their concentrates being shipped to the custom smelter at Noranda. In the same way several gold mines in northwestern Quebec have shipped their ore to the Noranda smelter and so avoided the capital expense of milling facilities. As small mines have been known to develop into big mines it is unfortunate that conditions in northern Manitoba make it very difficult for a small mine to get into production.

In this connection I might mention that the Sherritt-Gordon Company is currently shipping about 17,000 tons of copper concentrate a year down to the smelter at Noranda, a distance of 1,650 miles.

6. With regard to labour supply, the area is fortunate in being able to attract young men from the farming districts of Manitoba and Saskatchewan. These young men learn very rapidly and make first class miners and mill men. It is not so fortunately situated, however, with regard to engineering personnel. The Canadian universities with courses in mining and in metallurgy are not turning out nearly enough graduates in these two courses to meet the needs of the Canadian mining industry. Mines in the provinces in which these universities are located seem to have an advantage in attracting young graduates. The University of Manitoba

does not have courses in mining or metallurgy; consequently there are no Manitoba graduates as a source of supply for mines in northern Manitoba.

From the foregoing I think it is obvious that the future of northern Manitoba is inseparably linked to the mining industry. Without the mining industry the area could only support a small population on a relatively low standard of living. Fortunately the outlook for the future expansion of the mining industry appears to be bright. Northern Manitoba is essentially a base metal area with possibly better prospects for the discovery of nickel deposits than any other part of Canada outside of the Sudbury area.

The development of geophysical methods of prospecting has made it possible to locate sulphide deposits under considerable depths of overburden or water. This is of the greatest importance to northern Manitoba, where most of the favourable rock formations are heavily covered with glacial drift. The adaptation of geophysical methods to use in aircraft has further facilitated and speeded up mining exploration. I believe that the next 25 years will see the establishment of a number of new base metal mines in this area and I would expect most of them to produce nickel.

Now, if there are any questions you would like to ask, I shall be glad to attempt to answer them.

THE CHAIRMAN: I think we would like to ask you some questions. On the last point, dealing with the geophysical methods of prospecting, how extensive are those methods? Are the mining companies that

go in for exploration spending a fair amount of money on physical exploration, or on geophysical exploration?

MR. BROWN: I understand that one of our competitors in the nickel business is spending over \$2 million a year, largely on geophysical exploration.

THE CHAIRMAN: You mentioned that it can be done from aircraft. Is it mostly done from aircraft, or on the ground?

MR. BROWN: We had an opportunity to compare the results of aircraft geophysics with ground geophysics on our property at Lynn Lake. Incidentally, all the ore bodies at Lynn Lake which came within 300 to 400 feet of the surface were found by geophysics. None of the ore bodies have any surface outcropping, so that without geophysics Lynn Lake would still be undiscovered. But in comparing airborne geophysical results at Lynn Lake with ground results, airborne results definitely picked up two ore bodies out of six. They picked up two of the base ore bodies and missed four others entirely; so judging by that, geophysics from aircraft certainly will not completely eliminate an area. I think it will certainly pick up any prominent deposits, and I think it will always be necessary to use ground geophysical exploration following up the work of the airborne geophysics. In other words the airborne work will be pioneer work, and the ground parties will follow in.

THE CHAIRMAN: Have you an opinion as to how the work of mapping and exploring generally should be divided between the various government agencies and

the private companies? We heard quite a bit in the maritime provinces to the effect that the federal government should be doing a great deal more of surveying and exploration than they have been doing.

MR. BROWN: In my opinion the geological survey has done an exceptionally good job out here in the west. The mapping they have done of recent years in the Northwest Territories has been exceptionally good, and has provided a very good groundwork for the companies to use in following up with detailed exploration. We propose ourselves to make good use of their work.

THE CHAIRMAN: Have they completed the whole work in the west?

MR. BROWN: No, they are in course of completing the geological mapping of the territories. There is a very large area in Manitoba, stretching northward from a relatively short distance north of Lynn Lake, extending from there right north to the boundary of the province, that is completely unmapped, with no geological maps at all.

Superficially, from flying over it, some sections of it look very promising from a prospecting standpoint, but it is absolutely unmapped and consequently is not as attractive for exploration as the country to the north of it, which has been mapped.

It is possible to go into the territories and go into areas which you know are favourable for exploration, without having to go to all the preliminary work of finding such areas yourself. There is no doubt about it that exploration work in northern Manitoba would

be facilitated if the balance of the area were mapped.

THE CHAIRMAN: Are there also parts of Quebec and Labrador and Newfoundland and the other maritime provinces where there is a fair amount of mapping still to be done?

MR. BROWN: I am afraid I cannot answer that question, because northern Manitoba has kept me busy.

THE CHAIRMAN: I am afraid I am particularly ignorant on these subjects. You have been talking about geophysical methods of prospecting. What are the differences between geophysical and geochemical methods? Do they go hand in hand? I do not mean what is the difference between physics and chemistry, of course.

MR. BROWN: Well, I would say they are complementary. When we first discovered the deposits at Lynn Lake we had, I think, almost all the geophysical outfits in the country come up and try out their various methods at Lynn Lake; and most of them worked. There were some which did not work because of the permafrost, the ground over the ore body being permanently frozen. As a result some of the methods did not work.

In the early days -- when I speak of the early days at Lynn Lake, that is a period of about 10 years ago. At that time geochemistry was tried out, and it was not satisfactory. I think at the time it was concluded that that was due to the fact of the permafrost; that practically all the ore bodies occurred under swamps, and the swamps are permanently frozen. They thaw out to a depth of two or three feet, but

beyond that they are permanently frozen. Up there we found that the permafrost goes down 125 feet.

In British Columbia geochemistry has worked very well. I think different methods are more applicable to different localities. For instance, there is an electromagnetic method which we use a great deal which works exceptionally well at Lynn Lake, because so far we have not been bothered by graphite in the area; whereas at Sherridon we had very poor results with electromagnetic methods because of the prevalence of graphite, the graphite being a better conductor than sulphides. So different methods are more applicable in certain areas.

THE CHAIRMAN: I suppose there are improvements being developed in these methods all the time, or are they pretty static?

MR. BROWN: Oh, constantly. I can give you an example of that. Along about 1945 to 1950 I think our geophysical crews, because we had a number of them, were well up in it. I think we were as far advanced in the science as any company.

We were forced to suspend all that for about a five year period, because the bondholders would not let us do any more exploration until we got into production and got money coming in. So we discontinued that work entirely for five years.

We started up again this year, and we found that our methods were rather antiquated. The advances during that five year period had been so great that we were behind the times. That is an example of

how fast the science is moving.

THE CHAIRMAN: As I understand it, when you first started to work on this property at Lynn Lake there was a problem with which Professor Forward had a considerable amount to do in connection with your leaching process, and which he finally solved. Is that correct?

MR. BROWN: The cost of producing nickel from concentrates had always been high. The same thing applies to cobalt. The cost of producing cobalt from concentrate and the cost of producing nickel from concentrate had been relatively very much higher than the cost of producing say copper from concentrates.

So starting in from scratch, with no plant investment to bother us, we retained Professor Forward to see if he could not improve on existing methods, and he succeeded in working out a new method of extracting nickel from concentrates which I believe is certainly cheaper than the conventional methods. Certainly for the type of concentrate which we produce at Lynn Lake it is cheaper and gives better recoveries than we could ever get by using the conventional smelting and refining methods.

I would not claim that it was a universal solution for every nickel ore, because all ores have different characteristics.

THE CHAIRMAN: Are there as many new technological improvements and changes and discoveries being brought about in the mining industry as there seem to be in other industries? Is there any reason to

think you have come to the end?

MR. BROWN: No. I think the fact that mining costs, for example, have remained relatively stable in spite of an increase in wage rates would indicate that. In our own case wage rates have increased by 200 per cent since prior to the war.

THE CHAIRMAN: That is four times, is it?

MR. BROWN: The base rate for miners at Sherridon when we started up in 1937, or when we resumed production in 1937, was 60 cents an hour. Our base rate at Lynn Lake is now \$1.88.

THE CHAIRMAN: There has been a difference in the value of the dollar, too, so that would amount to something over a 50 per cent increase?

MR. BROWN: True; but I think the fact that mining costs have remained relatively stable is an indication that the technological improvements have largely offset the increased cost of labour. I think that is about the best indication I could give you. Our mining costs at Lynn Lake are about the same as they were at Sherridon in 1937.

THE CHAIRMAN: Are the mining companies themselves spending a lot of money on research and development?

MR. BROWN: Some are and some are not. I think a great many of the base metal companies are. I only know of one uranium company which is spending a lot of money on development, and that is Eldorado,

which is a crown company. I think the others benefit by the research work of Eldorado as well. The two leading processes for uranium ores which are currently in use in Canada, I think it is correct to say, were both developed by Eldorado in conjunction with the Department of Mines in Ottawa.

As far as I know none of the gold companies do any research. Of course if they do not they have the excuse that they have no money, which is a good excuse.

THE CHAIRMAN: It is a fairly convincing excuse.

MR. GRAUER: Generally speaking, outside the fields of uranium and gold, is research linked up with the size and prosperity of the mine?

MR. BROWN: I beg your pardon?

MR. GRAUER: I say, outside of the uranium and gold fields, is research linked up with the size and profitability of the mine?

MR. BROWN: Not directly. Take our own company, which is a relatively small company in the base metal business. In the last few years we have spent over \$3 million on research. In our case it has paid off very well, because it resulted in a process which would pay off the cost of research in a year's operation.

MR. GRAUER: I would not call you a struggling company at all.

MR. BROWN: Oh, compared to our competitors we are. Another example of research

having paid off is up at Flin Flon where, as you possibly know, they built up a very substantial tonnage of residues from their zinc operation. These residues contain values of copper and gold and silver, but they had no way of covering those values. They carried on research for a considerable number of years, and eventually came up with a process which they are now using to treat these residues and recover the values. There is another example of research having paid off in Manitoba.

MR. GRAUER: It is obviously linked up with good management, too, but I suppose there has to be a certain size attained before a new and perhaps struggling mining company would go in for research. Would that be so?

MR. BROWN: Well. I can tell you by experience it is not always the easiest thing to convince a board of directors that money spent on research will pay off. Some boards of directors can be convinced, and I imagine some cannot.

MR. GUSHUE: Does research have to be done by the companies themselves, or can they go to one of the governments or another for facilities; or perhaps I should say have they gone?

MR. BROWN: They do a great deal of it down in the mines branch at Ottawa, and also at National Research. In some cases a company can make arrangements to pay for research being done by National Research, which saves them the necessity of setting up facilities and staff of their own.

THE CHAIRMAN: To change the subject a bit, you mentioned in your statement the fact that there is a shortage of engineers and technicians. Would you suggest what should be done about it? Would you scrap all these art schools and so on?

MR. BROWN: I was down at Queens recently taking part in a conference on that very subject. Incidentally, this year's graduating class in mining at Queens had four graduates; there are four men graduating. We found that down at Queens they take in 300 students every year in first year engineering. They limit it to 300 students. They have on an average over 600 applications, so obviously one reason for the shortage of engineers is the shortage of facilities to train engineers.

THE CHAIRMAN: That is not the answer to the fact that there are only four in the graduating class in mining.

MR. BROWN: If you want to guess as to why they go into other branches of engineering than mining, I think the reason is relatively simple. It used to be that a chap graduating in mining would expect to get higher pay to start with than in any other branch of engineering. That is no longer the case. Now the chemical industry, the electrical industry and several others are simply outbidding the mining industries.

THE CHAIRMAN: But why? Some of your mines are reasonably prosperous.

MR. BROWN: Well, outside of admitting stupidity on the part of the mining industry, I am

afraid I cannot offer any other answer.

THE CHAIRMAN: I did not want you to do that. I have heard about the situation at Queen's, which after all has a mining school of some repute; and to think the graduating class is down to four is startling, to put it mildly.

MR. BROWN: I think partly it can be blamed on the continual complaints from the gold industry of the terrible condition of the mining industry. In speaking of the hardships they do not limit them to the gold mines; they speak of the industry. I think that has given the young people the idea that the mining industry is a depressed industry, so why go into a depressed industry? I think that is partly to blame.

THE CHAIRMAN: In speaking of the shortage of engineers generally, and not restricting it to the mining industry, it has been suggested to us since we were appointed to this commission -- and I am sure it was suggested to us individually many times before that -- that one of the problems in this country is that there are not enough technicians, so that engineers are doing a lot of work which really other people with less training could do, and that the engineers should be upgraded in this country and if that were done there might not be quite the same shortage. Is there anything in that?

MR. BROWN: There is a lot in that. On the other hand, a young engineer should go through that in order to get a proper background. In other words

the surveying around a mine, for example, can actually be done more efficiently by men that you train on the job to do it. You can get practical men and train them as surveyors and they can do all the mine surveying and do it more efficiently than young graduates just out of college. So there is actually no reason for keeping graduate engineers tied up as mine surveyors. On the other hand, however, a young engineer coming out of college should get that training.

THE CHAIRMAN: He should get some.

MR. BROWN: Yes, he should get some of that. I think what the mining industry should do, and I think a few mines have done it, but not very many, is follow the example of the telephone company, General Electric, and some of the other big electrical companies. They should take young engineers on a definite one year, two year or three year training course. The engineer going into that course should know that he is not going to be kept on these routine jobs indefinitely, but that he will be kept on them just long enough to give him the background he should have.

I think the mining industry will have to come to that. We are starting that at our own mine now. We should have started it four years ago. That is an indication of the stupidity which I mentioned previously.

THE CHAIRMAN: It is at least decreasing in some cases, then.

MR. GRAUER: Is there any element of

unwillingness to live in remote places, when there are alternative engineering jobs open in centres of population?

MR. BROWN: No, generally I do not think so. There are probably young engineers who do not want to leave the bright lights, but on the other hand I think there are still plenty of young engineers who will go out in the bush and more or less become pioneers, provided there is enough in it. For example, there is no great shortage of young engineers up around Beaverlodge, which is a new uranium camp. There are more young engineers up around Beaverlodge than there are in any comparable camp I know of. Yet conditions up there are certainly not comparable to conditions at mining camps that I can name in northern Manitoba, which are short of young engineers. So I do not think it is by any means due to a weakening of the pioneer instinct in young engineers.

THE CHAIRMAN: Are the base metal mines developing by products to their main operations to any considerable extent? What is it you produce; sulphur and ammonium sulphate.

MR. BROWN: We produce ammonium sulphate as a by product, which incidentally is one of the attractions of the new process we developed. That sulphur in the concentrate, instead of going up the stack and being wasted, automatically combines with the ammonium which we use and forms ammonium sulphate, which so far we have had no difficulty disposing of at a good price.

THE CHAIRMAN: Do you dispose of it in

Canada or in the United States?

MR. BROWN: It is practically all exported.

THE CHAIRMAN: To the United States?

MR. BROWN: Some of it to the United States. We have shipped some to Mexico and some to Korea. We are currently trying to develop a market for it in Canada. We have research programmes in that connection under way with the universities of British Columbia, Alberta, Saskatchewan and Manitoba, trying to encourage the use of ammonium sulphate in the four Canadian provinces.

THE CHAIRMAN: Are the other base metal mines in Canada as interested in developing their by products?

MR. BROWN: Noranda, very much so. As you know, Noranda has developed a process for recovering elemental sulphur from pyrite. They have a plant now in operation over near Welland. They are currently building another plant in the Blind river area, where they will produce elemental sulphur and also produce sulphuric acid for the uranium mines. Formerly pyrite was more or less a waste product.

A great deal depends on how close you are to a market, because sulphuric acid, for example, cannot be shipped very far. The freight rates make it impossible to ship sulphuric acid over a great distance.

For example, there is enough sulphur in Sudbury to supply all Canada with sulphuric acid, but you could not ship it all over Canada. The matter of by

products is to a certain extent a matter of geography.

I can give you an example. The most complete mine operation, from a by product point of view, which I ever saw was down in Tennessee, where they produce copper and zinc concentrate. They smelt the copper and produce blistered copper. They recover all the sulphur in the form of sulphuric acid. They crush all the waste rock and sell it as gravel. They crush the slag from the smelter and sell it as gravel. They recover the mill tailings and sell that as fertilizer. So everything is sold from that particular operation. But they are in the midst of an area where there is a market for all those products. Up in northern Manitoba you could not hope to sell your waste rock as gravel, because about half the country is gravel to start with.

In the same way, even if you did have mill tailings you could not hope to sell them as fertilizer; there is nobody to sell fertilizer to. So in the matter of by products, geography is very important. Out at Fort Saskatchewan we figure that we will eventually dispose of practically everything we ship out there. The residue which we are now piling up we expect to treat and recover all the metal value still remaining in it, and sell the balance.

THE CHAIRMAN: Do you have any difficulty in shipping your various products into the United States, because of their tariffs?

MR. BROWN: There is a tariff on nickel

of 1 1/4 cents, which the producer absorbs in his price.

THE CHAIRMAN: Does that apply if you ship it over in concentrate form?

MR. BROWN: No, it does not. As far as I know there is no export -- no; I should not say that. As a matter of fact we did ship some concentrate to one of the steel companies, so there is a small market in the United States for a high grade nickel concentrate, and the tariff does not apply. The tariff on semi-fabricated nickel products, though, is much higher. For example, if you were to prepare nickel in the form of anodes for the electroplating business, there is a considerably higher tariff than there is on the metal itself. There is another product in which we are interested, and which we have been investigating. We have been investigating the possibility of rolling nickel strip, which commands a much higher price per pound than the ordinary nickel metal. The tariff on that is 20 per cent of the final sales value; so if we did go into the business of rolling nickel strip, in all probability we would be forced to put the plant across the line. The tariff would amount to considerably more than the cost of rolling the strip. The Americans obviously do not like the Canadians to do any fabrication in their own country.

THE CHAIRMAN: That is what a number of Canadians believe. Have you any difficulty about getting gas, or do you need gas in your operations?

MR. BROWN: We could certainly use gas if we could get it up at Lynn Lake, but I do not expect

we can ever get it. We located our refinery out at Fort Saskatchewan, Alberta, specifically to get natural gas. The refinery is located on top of a gas field, and as a result of that we get fuel for 12 cents per million B. T. U's, which is about one third the cost of the cheapest B. T. U's you can buy here.

THE CHAIRMAN: We were talking yesterday very briefly about the problems which occur when a mining town, or the mine on which a town has been built up, runs out of ore and has to close down. Is there any solution to that?

MR. BROWN: Well, we worked out one solution in regard to Sherridon. We simply moved the town. But in the case of other places in Manitoba, for example Flin Flon, where there is a very flourishing metallurgical business based on the mine, I would expect to see that continuing indefinitely.

There is an example out in British Columbia, where Trail was started as a smelter based on ore from the mines at Rossland. The Rossland mines petered out long ago, and Trail is going stronger than ever. I would expect the same thing to happen in the case of Flin Flon; that even though the mine did work out, I would expect Flin Flon to continue indefinitely as a metallurgical centre.

In the case of an operation where a mine is just producing and shipping concentrates, or a gold mine -- in that case when the mine works out the town is pretty well finished. It is a case of either moving or becoming a ghost town.

MR. GUSHUE: I have just one question. You spoke of the lack of transportation facilities as a deterrent to the development of the mining industry. Have you any ideas as to a practical solution of that? I know it is a question of the hen and the egg, and so on.

MR. BROWN: In Ontario and Quebec, in most cases when a new mine is discovered the province builds a road into it. There was an example of that recently in Ontario. They made a copper discovery at Manitouwadge. The Ontario government promptly built a road into Manitouwadge, and then both the Canadian National and Canadian Pacific built railway lines. I do not know of any mine in Ontario or Quebec that has to operate without a road. Even the mines in Red Lake, where they had a very good water transportation system, were eventually served by a good road system, which superseded the water transportation.

MR. GUSHUE: You think a road or a railway or perhaps both, but certainly a road, ought to follow a mine?

MR. BROWN: The Canadian National Railways have shown that they are quite willing to extend the railway wherever there is justification for it. A big mine can justify that. A small mine cannot. A small mine needs a road. I know of at least three or four small copper deposits in northern Manitoba which, if they were in Ontario or Quebec, would now be in operation. Here they are lying idle; there is no power and there are no roads. Under those conditions you could not

operate a small mine.

MR. GRAUER: Going back to the by products, do you know of any case where iron in the tailings is used by a steel industry, or supplementary to a steel industry?

MR. BROWN: Very definitely. Down at this mine I spoke of, down in Tennessee, they make an iron sulphite concentrate, which they treat to take out the sulphur to make sulphuric acid. Then they ship the resulting iron oxides to the steel plants at Birmingham, Alabama. That is one specific case I know of.

Then I understand that the iron oxide from the Noranda plant near Welland is going to the steel plants at Hamilton. I understand that the iron oxide from the plant which Noranda is building at Blind River is also going to be shipped to steel plants as iron ore.

There are a number of cases where that is done. It all depends on the proximity to a market for iron ore. In our own case our residue at Fort Saskatchewan runs 50 per cent iron, which is a fair grade of iron ore and would make iron ore if there were some place to which to ship it. At the present time in Alberta there are no steel plants to take iron ore.

MR. GRAUER: I take it you are rather optimistic about the prospects for finding new mineral deposits?

MR. BROWN: Very much so. I see no reason

why the pre-Cambrian area in northern Manitoba should not be -- it may not be quite as prolific as the pre-Cambrian area in Ontario, which has been remarkably prolific with mines, but I see no reason why it should not be as good as the pre-Cambrian area in Quebec. I think the only difference is that in Quebec there is far more rock exposure, and it is easier to prospect, easier to find deposits. I think now that there are methods of finding deposits under heavy overburden you will see a great many new mines discovered up north.

MR. GRAUER: And there have been actual finds since the end of the war, apparently?

MR. BROWN: Very definitely.

MR. GRAUER: I was not quite clear on one point in your reference. Did you say ore was being shipped from Flin Flon to Noranda?

MR. BROWN: No. We are shipping copper concentrates from Lynn Lake to Noranda, because there is no place we can get them smelted any closer. It would be a case of either shipping them to Noranda or shipping them out to Tacoma on the Pacific coast, or building a plant ourselves to treat them, which eventually I hope to do.

MR. GRAUER: But as far as lead and zinc are concerned, you have ample smelter capacity in Manitoba, have you?

MR. BROWN: No. They would also have to be shipped out.

MR. GRAUER: How far are you away from the position where a smelter for these ores might

be justified?

MR. BROWN: I think it is just a matter of time until there will be a smelter. I think as time goes on and they begin to run short of ore at Flin Flon they will be glad to take custom concentrates; but that time is not yet. That has been the history of most smelters in the past. When you start to get short of your own ore you are quite glad to take other people's, to take up the slack.

MR. STEWART: May I just ask one question. You are optimistic about the future of the north of this province. Suppose it were considered desirable to stimulate development up there; to give it a shot in the arm. What is the best kind of injection?

MR. BROWN: The federal government is already doing that by means of this three-year tax exemption, which is a very definite stimulus to opening up new mines.

I think the development of power in northern Manitoba, the availability of power, would stimulate the mining activity. As I mentioned, I know of several small copper mines which could be put into production if power were available.

That is one thing that would help. I also mentioned roads. A small mine has to have transportation. It has to have road connection with the railways.

MR. STEWART: But is it your thought that roads should be built and then mines opened up?

MR. BROWN: Indiscriminately? Oh, no. But I think when a small mine is shown, it should be

entitled to have a road built to it.

MR. STEWART: And how about the power development; how do you work into that?

MR. BROWN: I think there is very likely to be several fairly large mines opened up in the Nelson river area. I think they will have to produce power for themselves, and probably would have surplus to sell.

MR. GRAUER: How much power does a small mine use?

MR. BROWN: It runs anywhere from 2 to 4 horsepower per ton on a good sized mine; that is per ton of daily capacity.

MR. GRAUER: A 200 ton mill would use about 600 horsepower?

MR. BROWN: That would not apply in the case of a small mine. A small mine would probably require 1,000 horsepower.

MR. GRAUER: The Nelson river developments on the whole are pretty large, are they not?

MR. BROWN: We looked into the Churchill river situation from the standpoint of development. The only visible site we could see was one which would develop 40,000 horsepower, which is about four times the amount of power we can see as usable; and the cost of it in our case was just prohibitive. We went to a much smaller site, a much less desirable site, and we were able to develop power by an expenditure of \$4 million, rather than the \$20 million to \$25 million which would have been involved in the big one.

MR. GRAUER: Of course if the power from those Nelson river sites could ever be used by the city of Winnipeg, that would help.

MR. BROWN: That would help. If the Nelson river site is developed I believe one of the best sites on the river is White Mud, which is a very big one. If that were developed and power brought south to the industrial area of the province, it could also be carried by a line into the mining area.

THE CHAIRMAN: Well, thank you, Mr. Brown; we are extremely grateful to you. We hope we will see you again a little later on in your capacity as a director of Atomic Energy. In the meantime thank you very much. We shall mark this submission of yours as Exhibit 27. Now we shall take a 10 minute break to give the reporter a rest.

---Recess.

---After recess.

THE CHAIRMAN: Well, can we come to order, please. Mr. Shepard is appearing on behalf of the Mid-West Metal Mining Association, and we will label his brief as Exhibit 28.

MR. SHEPHERD: Mr. Chairman and members of the commission, as a preface to the presentation of the brief, I think it might be in order for me to mention that mining development and exploration, and the problems of mining, have been my interest since graduation, for the last 25 to 26 years.

Half of this time has been spent with the department of mines of the province until 1945, when I served as provincial geologist and part time as director of mines; and for the last 10 years with the mining association, which is comprised of all the producing mines in the province.

My remarks have not been prepared with any degree of collusion with Mr. Brown, but I find that we differ on very, very few points. I think it may have come as a surprise to Mr. Brown to learn that the association was presenting a brief, at least as far as mining was concerned, just as it came as a surprise to me to learn that Mr. Brown was appearing this morning. So if the commission are pressed for time, I do not wish to delay proceedings. I have had copies of the brief in the hands of the commission for some time now, and if you have any particular questions you would like to ask me, or if you would like to direct me as to how you would like this brief presented --?

THE CHAIRMAN: Go ahead, Mr. Shepherd;

we have plenty of time and it is not very long. Present it in whichever way is most convenient.

MR. SHEPHERD: It is desired to acknowledge with thanks the opportunity that has been afforded the Mid-West Metal Mining Association, to present a submission to your committee on behalf of the metal mining industry in the provinces of Manitoba and Saskatchewan. The Mid-West Metal Mining Association includes in its membership all of the producing metal mines operating in the province of Manitoba, in addition to some operating in the province of Saskatchewan.

In the preparation of this brief it has been considered neither necessary nor desirable to present detailed statistical data nor lengthy discussions concerning the past productive history of the industry in this area. All this information is included in the briefs presented by the provinces themselves, and much other information may be obtained from the excellent statistical records available for study in the files of provincial and federal departments. However, full co-operation is offered your committee should further elaboration on any particular phase of the problems of industry be desired.

The metal mining industry of mid-western Canada has developed during the past three decades as a normal outgrowth of the success attending the exploration and development of mineral deposits of the northeastern and central portions of Canada. The production of metals has been made from rock formations of pre-Cambrian age, which had attracted the investigations

of the prospector and explorer once their productivity had been established through mining developments in eastern Canada. The ore deposits mined in this broad area, while differing in some specific respects, possess as a rule much similarity, hence mining costs and mining and metallurgical methods employed within the area are to a large degree comparable. Physical difficulties confronting those engaged in exploration are similar and for the most part, transportation problems have but one variable factor, that of distance.

The growth of the mining industry, unlike that of agriculture, is not restricted by climatic conditions and is therefore destined to play an all-important part in the northward expansion of Canada. The future of the mineral industry is, nevertheless, very difficult to forecast considered from a country-wide point of view. It draws its products from a region encompassing fully two-thirds of Canada which has been only partially mapped and parts of which have been virtually unexplored. The potentialities of the region favourable to the occurrence of metalliferous deposits are also difficult to assess. There is no royal road to success in mining development. The discovery and ultimate production of a mine are frequently separated by years of painstaking endeavour and are confronted with uncertainty. I think Mr. Brown will testify to the sincerity and genuineness of that remark.

In keeping with other pre-Cambrian areas of Canada, the potentially productive regions of northern Manitoba and Saskatchewan form only a relatively

small percentage of the whole. The more readily accessible areas and easily prospected exposures of rock have received already the attention of prospectors and exploration companies. You will notice that we say "the more readily accessible areas." The industry is now confronted with greatly increased exploration costs and the search for deposits covered by areas of drift and muskeg is continuing to tax the scientific ingenuity of the industry's technical personnel. Costly geophysical programmes and deep diamond drilling must be undertaken beneath lake, muskeg and heavy overburden to probe for the possible location of mineral deposits.

Mining, in addition to providing new wealth, has been responsible more than any other Canadian industry for the opening up of new areas and the establishment of new communities in our north country. Many other industries derive no small measure of their maintenance and revenue through the services they provide for mining and our transportation systems alone depend for much of their revenue upon the movement of supplies into and mineral products out of the mining areas of Canada.

The midwestern portion of the pre-Cambrian area of Canada has, during the past, produced noteworthy amounts of precious and base metals. Gold and silver have been mined since the mid-twenties from ore bodies of variable dimension in widely separated areas. Base metal output on a large scale began in the early thirties with copper, zinc and cadmium, as well as gold and

silver in significant quantities, being obtained from large ore bodies at Flin Flon and Sherridon. Very recently nickel and cobalt have been added to the list of base metals produced as a result of important mining developments at Lynn Lake, Manitoba, and metallurgical innovations at Fort Saskatchewan, Alberta. Important tonnages of uranium ore are now being mined at Lake Athabaska, Saskatchewan.

Large, low-grade tonnages of nickel are known to occur in isolated localities in many parts of the area. I think the word "many" is a trifle optimistic, so I would request you to substitute the word "several", which perhaps would be more in keeping with the facts. Important tonnages of lithium and chromium also await a favourable economic climate for their development.

Numerous factors determine what may be classified as ore. That which is ore today may be waste rock tomorrow. Unfortunately, one need only indicate the sorry plight of the Canadian gold industry to illustrate this. Faced on the one hand with a fixed price for his product in terms of the Canadian dollar, together with unfavourable American exchange rates, and on the other by ever increasing costs of production, the gold miner has seen ore bodies shrink faster than they were being mined.

In general, ore, which may be defined as mineralized rock capable of being mined at a profit, is determined to a large degree by the following considerations: the percentage of metals contained and the prevailing prices; labour costs; accessibility and

costs of transportation; mining and metallurgical techniques and research; tax and royalty levies.

Considering these factors in more detail, it is evident that the grade of material available for mining is a fixed condition and is beyond the control of the mine operator and that only in a very limited degree does the operator have any influence on price insofar as any one individual operation is concerned.

Labour costs have a very definite bearing upon what constitutes a mineable grade of ore. I was interested in Mr. Brown's remarks, because I think we would echo them exactly. The output of the Canadian mining industry is, for the most part, in direct competition with foreign producers and the factors responsible for our metal prices originate beyond the confines of Canada and are in almost all instances not subject to Canadian control. It must be remembered that wage increases paid by the mineral industry of Canada have in most instances not been made possible merely by increased prices received for metal, nor by appreciable improvements in the grade of ore mined. Much of the increased earnings from a mining operation, which have been passed along to employees in the form of higher wages, has been made possible by technical and mechanical improvements with which the average workman has had nothing to do and which have required greatly increased capital investment per employee.

The exploration for, development of, and ultimate production from new mines in the central northern area of Canada is extremely dependent upon

cheap, efficient transportation. Transportation costs have traditionally been one of the principal factors necessary in evaluating the potential productivity of a mining operation. Transportation problems which are faced in the development of all of our metallic mineral deposits resolve themselves into a more or less similar pattern. Discovery and preliminary exploration will continue to be dependent for the most part upon the use of aircraft. More intensive development involves the construction and maintenance of winter roads capable of handling heavy tractor trains and/or the establishment of efficient water transport routes. Once production is achieved, a mine and the community depending upon it are best serviced by either an all-weather road or railway, or both, together with a well established aeroplane service.

With respect to rail transportation, political leaders in Canada, have long recognized the necessity for adjustment between the various parts of the country to compensate for inequalities of distance, population, markets and natural resources. The mining industry of midwestern Canada will therefore need for some time to be given the assurance of flexible adjustments in freight rates in order to compete with other mines operating in regions closer to the consuming markets.

It is more than possible that base metal operations in the central northern region of Canada will be productive of large tonnages of marginal grade ore, as well as by-product materials such as pyrite residues,

potential sources of iron and sulphur. Attention is therefore directed to the need for the exercising of wide latitude in establishing special rates to assist in the movement of this type of material. It is believed that this principle is entirely consistent with the demands of a sound natural resources conservation policy. It is too late when the higher grade reserves of a mine have been depleted to institute methods of salvaging the marginal grade material. Everything ought to be done to expedite orderly extraction of all usable material during the active life of a mining operation.

Improvements in mining technique or new metallurgical processes, frequently transform waste into ore. The production of copper, nickel and cobalt from the ore bodies at Lynn Lake has, to a large extent, been made possible through metallurgical innovations such as the chemical reduction of nickel concentrates by a new process employed at a refinery at Fort Saskatchewan, Alberta. Natural gas is employed in a dual capacity at this refinery, first to provide low cost energy, and second to provide the basis for chemical reagents necessary to the reduction of the ore. Again, at the smelting operations at Flin Flon, Manitoba, large quantities of zinc residues, formerly too refractory for economical treatment, have been made available for the production of increased quantities of zinc and precious metals by the introduction of a fuming process which took years of research to develop.

Basic research is essential to the mining industry in no less degree than it is essential to

all other industrial endeavour, and it is desired here to acknowledge the assistance that has been rendered by the research staffs of provincial and federal governments in assisting the mining industry of Canada.

Research should be undertaken in ever increasing amounts with the objective of not only solving specific problems confronted by individual industries, but also to provide critical data on which additional research projects may be founded which will ultimately lead to the production and use of new metallic products.

Maximum productivity, whether it be agriculture, mining or manufacturing, is only possible if there be guaranteed to the producer, stability of operating conditions and a reasonable return from the effort and capital expended. It is believed that given the assurance of this reasonable return on risk and investment and a sympathetic attitude on the part of the government when framing policies affecting industry, the mineral industry of this and other parts of Canada is destined to contribute in ever increasing measure to the nation's wealth and to its progressive expansion and development.

THE CHAIRMAN: If I might interrupt just on that point, do you think taxes are too high or too low?

MR. SHEPHERD: Not at all. Well, wait a minute; that may be a little over enthusiastic. Compared to other areas in the world I would say that the mining industry, considered in a world wide sense, considers the atmosphere in Canada as one offering

stability, and one in which consideration is given to the mine operator.

THE CHAIRMAN: I suppose you do not necessarily include the gold mining industry in that general statement; or do you?

MR. SHEPHERD: I do.

THE CHAIRMAN: Thank you. I should not have interrupted you.

MR. SHEPHERD: From the foregoing it may be concluded that given an hospitable environment in which to operate, the mining industry will continue to prosper. Certain generalizations may be made, however, as to basic essentials that must accompany this favourable atmosphere. At the present time, all industry is joining with leading educationalists in voicing concern over the deplorable lack of trained technical personnel graduating from our universities. This condition is by no means confined to Canada but has, for some time, been a major concern of industry and educators in the United States. Mining, as well as other industries, is becoming more specialized and more dependent upon plant and fundamental research for its continued expansion. Trained personnel must be made available at all costs.

All Canadian mines will continue to need every assistance possibly in maintaining favourable tariff relationships, particularly with the United States.

As Canadians, we must direct ourselves to ever increasing fabrication of the primary products

from our mines. This can only be done, however, on a gradual basis, but it is an objective which should be kept in view. The ultimate industrialization of large areas in western Canada, resulting from the utilization of large reserves of low-cost energy, should materially assist in the creation of secondary industries engaged in such fabrication.

In conclusion, may I repeat the expression of appreciation of the member mines of this association, for this opportunity that has been provided for them to present their views on what they consider to be an essential economic environment in which the mining industry may continue to thrive and prosper.

THE CHAIRMAN: Thank you very much.

MR. GRAUER: With respect to technical improvements in mining, and the fields of exploration and refining, is it possible to have any idea now of what might be around the corner? Do you have some intimation of what could be expected to develop to assist the mining industry in those respects in the future?

MR. SHEPHERD: In respect to what type?

MR. GRAUER: Technical improvements?

MR. SHEPHERD: No, I do not know what might be around the corner. Here the question resolves itself again to matters of research; and research, from the point of view of the mining industry, can be divided into exploratory research and laboratory research, to develop new products and new uses for the products we already have. There is a growing use

for what we refer to as some of the rare earth elements; the development of the high vacuum processing techniques giving metals quite extreme purity; a greater knowledge of alloys and the use of those alloys.

As a matter of interest, the other day I was shown a piece of zinc which had been lying on a desk for a matter of a year. This zinc was just as bright, or nearly as bright, as the chrome plated die cast zinc you have on some of the fittings on your automobile. During the year it had not tarnished. The reason it had not tarnished was that they had been able to give it such a high degree of purity that zinc, which they thought they had known all about, they think now has new physical qualities. Its boiling point has varied some 15 degrees centigrade from the former boiling point of that metal.

MR. GRAUER: In the field of research itself, apparently there are some pretty obvious lines of research indicated now?

MR. SHEPHERD: I would say that the research being undertaken in this country would compare very, very favourably with that being undertaken anywhere; and the research for new products and new uses goes on in the metal industry, just as in any other industry.

MR. GRAUER: In the field of research in the mining industry, has progress been made chiefly by focussing upon specific problems, or do you also get a good deal out of simply the general advance in certain fields such as chemistry?

MR. SHEPHERD: That is rather a difficult question to answer. I would say that in the case of individual companies it would centre on their own individual problems. That is why there is the need for this basic research; and that is why the question of who should undertake this basic research should be given very serious consideration.

There is one point on which I would differ -- or not differ; on which I do not quite entirely agree with Mr. Brown, and that is in the matter of technical personnel. I think I share the opinion of a great many people with whom I have spoken.

I had the privilege recently of presenting a brief at a meeting of the ministers of mines which was held in Nova Scotia, and I obtained some figures as to the number of graduates from Canadian universities in 1955 insofar as mining and related occupations are concerned. According to my figures this year in all Canada, from all institutions, there will graduate 44 mining engineers, 33 metallurgical engineers, 39 geological engineers, 4 geophysicists, 73 geologists and 12 petroleum engineers.

If I may be permitted, I took some material from the Sigma Chi, the journal of graduate study in the United States, and I would like to quote from the presidential address by Mr. J. W. Barker:

"It is alarming then that in the United States the percentage of the total collegiate population represented by the science and engineering students has

fallen from 17 per cent to 10 per cent in recent years and is still trending downward. As of this June we will graduate from the colleges about 4,000 fewer engineers and scientists than are necessary to replace the deaths and retirements of industrially employed scientists and engineers alone. The growth increment in ~~our~~ industries has been neglected in these figures so that actually there is a shortage of more nearly 10,000. And if we add the science and engineering teaching posts in colleges and high schools, the shortage runs well up to 30,000."

The point which is made is that we cannot expect much help from that source. I have been in close touch with Professor Forward, to whom reference has already been made this morning. I am not stealing his thunder, because this is material he presented to the conference which I attended, in respect to technical personnel. He said:

"There are not enough trained people available or in prospect in Canada to carry out the research and development that this country must have in the next 10 years if industry is to grow as it should."

I understand your commission is meeting

with Professor Forward later.

THE CHAIRMAN: Yes, we are looking forward to it.

MR. SHEPHERD: I continue quoting:

"Twenty nine metallurgical engineers graduated from the universities in Canada this year of whom a handful are taking advanced degrees, and it is upon the latter that we must depend very greatly for research. The number of chemists, physicists and chemical engineers taking advanced degrees is also pitifully small, and the mining and metal manufacturing industry must compete for their services with a rapidly growing chemical industry, with the pulp and paper industry, with food products, electrical, biochemical, and even atomic energy projects. So, with the best will in the world, and with the funds available, and knowing the need and value of research in the mining and metallurgical industries, the outcome can well be limited by the availability of competent personnel."

That is the personal view of Professor Forward, which I wish to introduce into the discussion, with your permission.

MR. STEWART: I do not wish to suggest that this is not a matter of very considerable concern, but it is true that in Alberta the registration in

engineering has increased by 250 in the last two years. It is up to a normal average there at the moment. You must realize that once the veterans got out, we were down to the number of students reflecting the low birth of the depression years. We have not yet started to turn out the graduate classes which will be reflected by this increase in the numbers. That will happen two years from now. I think the situation is going to improve somewhat, because the numbers are increasing, but they have not yet reached the graduation level.

MR. SHEPHERD: Might I inquire, though, how many of those 200 you would anticipate taking the type of graduate study that would raise them above the level of technicians?

MR. STEWART: Practically none right at the moment; but what happens is that the companies who want to get graduates provide graduate scholarships for them; and then they come around in the month of October and take them off with their bachelor's degree, at the kind of salaries at which they are not interested in doing graduate work.

MR. SHEPHERD: I realize that problem. I happened to be on a committee on education of the Canadian Institute of Mining, and the problem of scholarships is no difficulty. It is a question of getting the people to sit for the scholarships.

MR. GRAUER: Does the industry here go in for providing scholarships?

MR. SHEPHERD: In some instances scholarships are being provided particularly for students in the

mining communities.

MR. GRAUER: And basic research has been left largely to the universities and the governments?

MR. SHEPHERD: With the exception of the work undertaken by Sherritt-Gordon, basic research by and large has been left -- or put it this way. The excellent facilities and laboratories of Ottawa have been made available to the personnel of mining companies to go down and work out any problems.

MR. GRAUER: One would assume that the mining industry would probably increase the giving of scholarships and that sort of thing, since they are faced with a problem here which they recognize. That is always the first step. Is that a fair assumption?

MR. SHEPHERD: If it could be shown that there was a dearth of scholarships; but at present there are not the people to take up the scholarships which are already available.

MR. GRAUER: That is not true of one university I know of. In your brief, referring to this northern mining country, you state in a general way, I think on page 3, that mining had developed the area. In the northern part of Manitoba, where presumably most of the mining development is located, is there potential agricultural and forestry country there which might be developed once mines had given out in specific areas?

MR. SHEPHERD: I do not profess to be anything of an agronomist, but I would say this.

I would hate like anything to farm in most of the districts in northern Manitoba which I have visited.

MR. GRAUER: There is very little potential in those areas, then, except in respect to mining?

MR. SHEPHERD: There are some clay belts, and it may be established that these can be worked into restricted and isolated agricultural areas; but it would be a long time.

MR. GRAUER: Since the end of the war have you found any new types of minerals or precious earths; or have you pretty well covered the field there?

MR. SHEPHERD: There have been discoveries in the province. I could not say there has been time to assess their importance, but there have been restricted discoveries of uranium and of recent years, in the last two or three years, there has been increased attention shown to the occurrence of the metal lithium. But a lot of these occurrences have been known for many years, and we have been just waiting for markets for lithium to develop that mineral. They may be just around the corner, in which case we can look forward to developments. But I think it is a little early to say just how much of a market there is at the present time.

MR. GRAUER: The variety of minerals has been known for some time, then?

MR. SHEPHERD: With the exception of the metals that were already being produced in quantities, no large deposits of known metals other

than lithium have been discovered, and I might add chromium in the Bird lake area.

MR. GRAUER: Do you have any views on the long term outlook for metal prices? That obviously would affect the opening of new mines?

MR. SHEPHERD: I would like to be optimistic, and I think I can be. It would seem to me that there will be a demand -- well, put it this way. Even the British housewife is suddenly becoming aware of the United States kitchen, and that opens up markets for copper. I think the per capita consumption of such metals as copper and nickel will continue to increase, and I think the long term outlook is good, barring any recession or depression, which we shall leave in the hands of you gentlemen.

THE CHAIRMAN: Thanks.

MR. GRAUER: On page 7 you mention that it is necessary to take the ore resources of a mine, I gather as a whole, and not just develop the high grade ore and leave the marginal ore, which so often forms the much larger tonnage?

MR. SHEPHERD: That is an objective to be sought after, rather than a possibility that can be achieved.

MR. GRAUER: Presumably at present that practice is not being followed?

MR. SHEPHERD: That hinges upon what you define as ore; and the point is raised that what may be ore today may be waste tomorrow or in a year's time, depending upon the price. But where it looks at all as though it were of a marginal nature, I think every

effort should be made to facilitate its removal.

MR. GRAUER: There are a great many examples in British Columbia, and I have no doubt elsewhere, of mines which were closed down 30 or 40 years ago and then re-opened and mined successfully because of the rise in metal prices.

MR. SHEPHERD: That is true, but it involves a great deal of additional expense. Once a mine has been closed down the rehabilitation of that mine is an expensive proposition. It would be much better to maintain the continuous operation than to allow the mine to flood and then pump it out again.

MR. GRAUER: I wondered if you implied that this was being done at the present time to any great extent?

MR. SHEPHERD: No, I do not; but as a matter of fact we are trending more to the development of lower grade ores on a large scale operation. We cannot approach the level of efficiency which Mr. Brown mentioned in the case of the Tennessee operation, but whatever we can do to approach that is an objective we should try to reach.

THE CHAIRMAN: I do not know whether I should ask you or Mr. Brown this question, but we would be very interested to know your views about the possibilities of important increases in competition with regard to the nickel producers in other countries, particularly Cuba. Is it something you care to comment on, or should we talk to you about it at another time?

MR. BROWN: I think the Cuban production

will increase; but costwise I do not think it is competitive. Nickel produced from sulphide ores can be produced more cheaply than it can from laterite, which is the source of the Cuban nickel. The plant which is now producing nickel in Cuba is making an operating profit, without taking into consideration the cost of the plant, which was very high and which was paid for by the United States government. On a strictly competitive basis I think the sulphide nickel producers could operate profitably at prices at which the Cubans would have to shut down.

In the case of nickel, though, I think the demand is sufficient to use all the sulphide nickel that can be produced, and quite a bit of the other. The current price of nickel to my mind is not realistic. The quoted price of 64 1/2 cents is not realistic. In Europe nickel sells for anywhere up to \$2 a pound. The French nickel producer, Le Nickel, gets better than \$2 per pound for all its production. The great bulk of the nickel going into the United States government's stockpile costs in the neighbourhood of \$1 a pound.

THE CHAIRMAN: How does the unrealistic price of 64 cents come about?

MR. BROWN: It is set by the International Nickel Company.

THE CHAIRMAN: If there is an excess of demand do you still have to come down to the International Nickel Company's price?

MR. BROWN: Unfortunately we do. Our

contracts are at the market price, which is the published price. I might say that the International Nickel Company is currently buying concentrate from us and producing and selling it to the trade at 83 1/2 cents a pound.

THE CHAIRMAN: Why?

MR. BROWN: Because it costs them that to produce it. At least that is the reason they give the trade.

MR. GRAUER: And does that not establish a new market price?

MR. BROWN: Unfortunately no.

MR. GRAUER: Why not?

MR. BROWN: The official quoted price is 64 1/2 cents. That is the official Port Colborne price, and the bulk of the nickel produced by the International Nickel Company and sold to the trade is sold at that price. But this additional metal which they produce from concentrates purchased from us is sold at the price of 83 1/2 cents; and they blame the high cost on the necessity of having to buy the material from us.

THE CHAIRMAN: That sort of pricing policy does not promote the development of new nickel mines in this country, does it; or does it?

MR. BROWN: No, it does not. I think the United States government policy of paying different prices to different people is thoroughly unsound; but that is not the only unsound policy in the United States. Does that answer your question?

THE CHAIRMAN: I was thinking more of

your comments about the International Nickel Company than I was about the United States. It is the International Nickel Company that sets the 64 cents?

MR. BROWN: You see, over the past few years, every time there has been an increase in wages at Sudbury the price of nickel has gone up to offset that increase. This year was the exception. I think the reason was that the price of copper was so high that there was no need for an increase in the price of nickel to maintain their high earnings in Sudbury. There they produce one pound of copper for every pound of nickel, so a rise of a cent a pound in the price of copper is just as good as the rise of a cent a pound in the price of nickel. It makes just as much money.

THE CHAIRMAN: They would make even more if they raised the price of both.

MR. BROWN: That is true. However, you must realize that even mining companies have some conscience.

THE CHAIRMAN: Well, I am glad to hear that, Mr. Brown. We have not seen much evidence of conscience so far; in fact I think this is the first time the word has been mentioned.

Thank you very much, Mr. Shepherd.

Now we have the brief of the Manitoba Federation of Agriculture and Co-operation, which will be presented by the president, Mr. Wilton.

MR. WILTON: This is the brief of the Manitoba Federation of Agriculture and Co-operation.

THE CHAIRMAN: Which we will mark as Exhibit 29.

MR. WILTON: I have with me Mr. R. E. Moffat, our legal adviser.

THE CHAIRMAN: Who doubles as an economist sometimes.

MR. MOFFAT: Sometimes.

MR. WILTON: He is very much concerned with this, because he prepared the brief. The vice-president on my right is Mr. Paul Turko, and I have the secretary behind me here, Mr. Jim McLean, with H. S. Fry sitting behind me also.

With your permission I shall simply read the first few paragraphs on pages 1 and 2 and then go to the conclusions near the back of the brief at page 31 and read the concluding remarks. I do not think that will take too long, and then if there are any other questions which you care to bring up we shall be very happy to try to answer them.

The Manitoba Federation of Agriculture and Co-operation is vitally interested in many of the matters with which your commission is concerned. It would, however, be quite impossible to deal with every issue within your terms of reference which concerns us and for that reason we are directing our

attention in this brief to a few of the more important matters and to a few matters which in our opinion require urgent attention in the near future.

At the beginning of any statement of this type we believe it is useful to set forth the membership and general objectives of the organization presenting the statement. Such background information may be general knowledge but it often serves to focus the attitudes expressed and a convenient restatement of it is often helpful to persons preparing to consider the statement concerned.

The Manitoba Federation of Agriculture and Co-operation is, as its name implies, an organization representing farmers and farm families as well as agricultural co-operatives in the province. Its farmer members are organized into 7 districts, each of which has a district board which meets from time to time to discuss agricultural matters from the point of view of farmers in that district. At the annual district convention one director is elected to represent that district on the provincial board. In addition to the 7 district directors, one director is appointed by each of the following farmer-operated co-operatives, namely, Manitoba Pool Elevators Limited, United Grain Growers Limited, Manitoba Dairy and Poultry Co-operative Limited, Federated Co-operatives Limited; and 2 additional directors are appointed by the other member co-operatives. The balance of the board of 15 directors consists of a representative of the co-operative promotion board of Manitoba and

the chairman of the women's committee of the federation which is representative of the 7 districts of the federation.

The aims and purposes of the federation are set out in its charter as follows:

"The aims and purposes of the federation shall be:

(a) To promote the social, economic, physical and cultural well-being of the people of Manitoba.

(b) To promote the co-operative philosophy as a method of business and way of life.

(c) To represent farmers and co-operatives before governmental and other authoritative bodies.

(d) To join with like organizations in other provinces in order to promote unity of purpose in the ranks of farmers and co-operatives across Canada."

The Manitoba Federation of Agriculture is a member of the Canadian Federation of Agriculture and the Co-operative Union of Canada and through them is associated with the International Federation of Agricultural Producers and the International Co-operative Alliance.

Many Manitoba farmers and their families belong to several of the member bodies of the federation and consequently it is impossible to calculate an exact figure of the number of member families associated

with the federation. Our best estimate is that approximately 45,000 farm families in Manitoba are members of one or more of the groups represented on the provincial board of the federation.

Mr. Moffat has suggested that there are three paragraphs on pages 5 and 6 which are very short, if you will bear with me.

From your terms of reference it is clear that your main concern is with prospects for the future and with the use of past experience as a means of foreseeing the trend of development and the problems to which that trend may give rise.

We are not in a position to give documentary evidence of probable future changes in the output of Canadian agriculture or of Manitoba agriculture. This is a question for specialists in agricultural statistics and for those who have available the detailed records and the large staffs needed to do the analytical research. Your own staff with its access to work of this type will be in a much better position to provide you with forecasts of this type.

But our group, representing as it does the practical farmers of this province and the operators of the farmer-controlled co-operatives, does feel qualified to emphasize the significance of some of the more pronounced trends and to express opinions on what is likely to result from them.

Then we turn to page 31 and wrap it all up in the conclusions.

In concluding this statement we wish to

briefly review the position of Manitoba agriculture in the total agriculture of Canada. It has been said of Manitoba that it is the most eastern of the western provinces and at the same time it is the most western of the eastern provinces. In many ways this is true of our agriculture. Certain phases of Manitoba agriculture are typically western and yet not wholly so. Wheat is normally our largest cash crop, and yet we have not contributed to the present wheat surplus because our acreage is well below the peak of 1939 and 1940. Indeed our average acreage for the last two years is below the figure for every year since 1901 except 1925 and the two years of acreage reduction quotas in 1942 and 1943. Wheat policy is important to us but it does not overwhelm all other issues as it does in Saskatchewan.

We resemble eastern Canada in the diversity of our products. Special crops like sunflowers, peas, corn for canning, sugar beets and potatoes are important to us but few of our farmers are self sufficient in these items and our typical producers of these items are western in their dependence on a grain cash crop in addition to the special crop concerned.

To an outsider it is sometimes difficult to understand why our farmers depend so heavily on cash grain crops which are so subject to the hazards discussed in connection with income fluctuations. Part of the answer lies in this relationship to other parts of Canada. If grain prices are down or if we have a large surplus of low grade grain we can turn fairly

quickly to livestock. In 1937 there were 229,000 hogs marketed from Manitoba farms. By 1943 the figure was up to more than 850,000 but when a shift of that magnitude occurred in Manitoba a much greater shift occurred in Alberta so that Manitoba continued to provide about the same percentage of the total output of hogs in the prairies. In the case of poultry the situation is similar except that the heavy production is in British Columbia; and here again if prices and costs are such as to induce Manitoba farmers to expand poultry production, the same prices and costs will bring about a much greater expansion in British Columbia.

The net effect is that Manitoba continues a diversified agricultural output but the pattern of diversification continues reasonably uniform from year to year.

This then is the picture which we wish to leave with your commission. It is one of a varied farm production programme with considerable dependence on grain cash crops, more dependent on grain than eastern Canada, less dependent on grain than the other two prairie provinces. It is one of wide fluctuations in income from year to year with an effective ceiling on income set by export prices for our main products but with no effective ceiling on costs. From these basic facts arise the problems which we foresee for this area and from the same basic facts arise the attitudes and desires which determine the policies which our members advocate.

For convenience we list below some of

the main subjects dealt with in this brief. This is not a summary of the brief for each section of it has been condensed to the point where any further condensation would require omission of essential points. For this reason we wish to emphasize that the following list is intended as a guide to subjects dealt with and not as a summary statement of the position of the Manitoba Federation of Agriculture and Co-operation. The order in which the subjects appear is the order in which they are dealt with in the brief and does not represent the order of importance or urgency.

1. In the last 3 years for which figures are available the value of agricultural production in Manitoba averaged \$215.7 million compared to \$195.6 million as the average value of manufacturing production.

2. In grain crops the broad picture is one in which acreage has remained relatively stable with some shifting from wheat to barley while the average yield has been higher in the past 10 years than in any other 10 year period in history.

3. In livestock production the broad picture has been one of relatively stable volume of output after a sharp decline from the high livestock production levels of the war years.

4. Agriculture operates with small capital and with control and management widely diffused among individual operators as contrasted with urban industry which is increasingly characterized by a concentration of control and capital.

5. Wide fluctuations from year to year in the volume of goods produced for the same input of labour and materials has led to a cautious approach to any new project which must be paid over a number of years.

6. For 1954, net incomes of Manitoba farmers were about \$72.5 million, a drop of 60 per cent from the peak of \$181.9 million in 1951.

7. During the same period there has been a considerable increase in the income of workers in other industries.

8. The prospects for any significant rise in the price of major farm products in the near future is not good. On the other hand, the danger of a serious drop is always present.

9. The way in which world export prices form an effective ceiling on the prices for major Canadian farm products explains why farmers resist any move which will allow the costs of supplies or services bought by farmers to move above the levels set by world competition.

10. Our members are strong supporters of board and co-operative marketing arrangements.

11. Our members support the Canadian wheat board as a method of marketing wheat, oats and barley and they would like to see it extended to other grains if possible.

12. Our members support board marketing schemes for other farm products.

13. Our members would like to see your

commission recommend practical steps to clarify authority in respect to board marketing and to remove the frustration which results from the inability of either the federal government or any province to take decisive action to set up workable marketing schemes.

14. In periods of price decline the country as a whole should accept responsibility for maintaining a reasonable measure of stability in farm incomes.

15. If support prices are not available as a stabilizing force the farm communities may face a serious social welfare problem and at the same time the loss of farm purchasing power may have serious results throughout the whole economy.

16. You should give due weight to the way in which the co-operative approach lies midway between an approach which leaves each farmer to his own resources and an approach which places all control and initiative in a government body.

17. The modern farmer is a business man with an invested capital of quite large proportions and one of the penalties of heavy investment in mechanized equipment is the increased cash commitment and the dangers in this when crops are light or when prices decline.

18. Private financial institutions are not meeting the long term capital requirements of our farmers. For manufacturing and trading industries capital is being provided to a much greater extent from private financial institutions.

19. We are forced to the conclusion that government backing for agricultural loans is essential and for the maximum diversification and wider spreading of the risks this must be a nation-wide scheme sponsored by the federal government. We favour increased use of Canadian farm loan board facilities with interest rates at the lowest level possible.

20. In worthy cases where farm operations are being commenced or expanded, arrangements should be made to allow loan commitments somewhat larger than normal, subject possibly to slightly higher interest rates or to some sort of insurance charge.

21. Stable or declining selling prices for farm products coupled with steadily rising operating costs seem to point to a trend of development which may continue for some time. We look upon this as one of the most pessimistic features of the present outlook for agriculture.

22. Our farmers are producing for a world market with steady or declining prices and they fear any move which will force them to price themselves out of the market in an effort to cover costs incurred in the protected home market.

23. The number of people on our farms is declining but the number of people engaged in agriculture is not declining to the same extent. The fact is that many urban dwellers are engaged in agriculture as directly as if they lived on farms.

24. As mechanization proceeds, the work of producing our agricultural products will be transferred

to an ever increasing extent into the making of equipment and thus into urban centres and an even smaller and smaller proportion of our agricultural workers will be located on the land itself.

25. Your commission could do much to emphasize this increasing interrelationship between town and country.

26. The advent of mechanized agriculture and especially the development of automobiles and trucks has had a profound effect on the small urban communities in farming areas and in government units there.

27. One of the great questions of the next few years is that of education for our rural children and we would be greatly disappointed if your commission attempts to discuss Canada's economic prospects without giving serious attention to the education of this large group of our future citizens.

28. Your commission should recommend some practical measures of assistance to the smaller urban centres in the provision of modern municipal facilities such as sewers and water and in the attraction of new industries.

29. Strong efforts should be made to develop new techniques for the processing of our agricultural raw materials and to have these techniques put to use in the towns in the rural areas.

30. The cost of many services paid for by municipalities should be paid on a basis which is reasonably uniform across the country so that the residents of the less wealthy communities will pay their

share but will not be called upon to make sacrifices greater than those who happen to live in a wealthy area.

31. There must be some tax distribution scheme which takes the income and corporation tax revenue collected in the few large cities and makes it available to pay the costs of basic services in the smaller and rural communities which have played their full part in the production process which created the wealth collected through income and corporation taxes.

32. Excellent work is being done in the field of development and testing of new varieties of field crops and new feeding formulas for animals, but much of the benefit is being lost because of failure to spread the knowledge to farm operators.

33. General education is the foundation of any programme to spread improved farming methods and agricultural short courses, boys' and girls' club work and other activities of the extension services must be based on this foundation.

34. The field of business management as applied to farm operators is rapidly assuming increased importance and we believe increased assistance to farmers who wish to undertake study in farm management would be amply repaid.

35. A large measure of federal responsibility for the organization and cost of education and extension should be recognized or Canada will not get the full possible economic benefit from the work of her farm research projects and experimental farms.

THE CHAIRMAN: Thank you, Mr. Wilton. I would like to ask two questions and then we will let some of the others pick it up. On page 14 and in the summary, item 13, you refer to the conflicting federal and provincial authority in connection with marketing schemes. I wonder if you would like to develop that a little bit and say what you think should be done?

MR. WILTON: Well, I suppose you gentlemen know that what we are referring to is bill No. 82, which we find a wee bit hard to understand. It is in the field of collecting dues or levies from producer groups in order to finance the operation of the thing, or set aside funds for stabilizing an industry, be it sugar beets or potatoes or whatever it is.

It seems that there is a wee bit of a misunderstanding or inability on the part of the federal and provincial authorities to agree on whose authority it can be done. I think possibly one of my colleagues might want to say a few words on that point; but in essence I think that is the problem.

THE CHAIRMAN: I do not know about the other commissioners, but I am interested in this subject and I would like you to develop it a little if you would care to do so. I do not even know what bill No. 82 is.

MR. MOFFATT: That is the federal legislation under which some of these recent marketing schemes are being set up. The difficulty has arisen in connection with a scheme in Ontario, where

there has been a proposal that the arrangement should be to collect a certain levy from the farmers to finance the thing. No clear cut scheme is worked out, because the federal authorities say it is a provincial responsibility and the provincial authorities say it is a federal responsibility. Neither of them is taking the matter to court to get anything clarified.

From the point of view of the farm organizations, they are not able to get to grips with the problem in either case. That happens to be the one matter that is before us at the moment, but the general problem has been there for many, many years. If this particular difficulty were solved, there still would be other examples where, because of the overlapping jurisdiction as between the province and the federal government in agriculture and in marketing questions, the farm groups who want a particular scheme --

THE CHAIRMAN: You mean in a province?

MR. MOFFATT: Either in one province or when it has been approached jointly by several provinces they have never been able to come to grips with it and say this particular government has authority to do something about it, and if they do not do something they will have to face a provincial election. Instead of that, each time the province and the federal government have been able to pass the buck without either one being tied on to it.

As I say, that is the general problem. The immediate problem is this legislation.

MR. STEWART: On the general problem, is it true that there are some provincial marketing schemes operating under provincial legislation?

MR. MOFFATT: Oh, yes.

MR. STEWART: And do you think they are intra vires?

MR. MOFFATT: They have not been completely satisfactory when there is an attempt to deal with a commodity which is produced in several provinces, and which ought to be approached on a national basis. Apparently they are quite intra vires, but they are not effective as a business operation when they try to set up nation-wide arrangements.

THE CHAIRMAN: I am certainly not clear on this. I am not clear as to whether it is a legal problem or, as you said, it was a problem that you had difficulty getting either the federal or the provincial authorities to accept responsibility.

MR. MOFFATT: It is a mixture of both, quite frankly.

MR. GRAUER: These cases have been taken to the courts by some farmers who do not agree with them.

MR. MOFFATT: In some cases it has been taken to court and the scheme has been declared ultra vires in the past. There was no thought here of proposing any particular solution, but simply to raise the fact that this thing is still something which is giving quite serious concern.

MR. WILTON: Mr. McLean might give you

a little light on the subject.

MR. McLEAN: The difficulty, as has been explained, is that this is a question of conflict between provincial and federal jurisdiction. But the basic approach the farmers of Manitoba take is that they are in favour of stability and in favour of board marketing. They feel that through the Canadian wheat board you have eliminated a fluctuating market in that regard, and they would like to see that principle extended to the marketing of other farm products such as honey, hogs, livestock and various other commodities. They support the principle of producer marketing boards much more than they do, say, government marketing agencies.

While they support 100 per cent the Canadian wheat board as it applies to grains, they would like to see producers themselves assuming control of the marketing of other products. As a result the Manitoba government, back in 1939 or 1940, passed the Manitoba Natural Products Marketing Act. Similar acts now exist in most of the other provinces, and they are acts enabling the producers of a commodity to market that commodity within their own province. But they have no jurisdiction in the marketing of the commodity outside the province.

As a result, the Canadian Federation of Agriculture was successful in persuading the federal government to enact the Agricultural Products Marketing Act, which delegates to the provinces the right to handle a commodity on a national basis.

The producers are thinking further ahead.

They are attempting to establish some type of stabilization programme under which they will voluntarily agree to set aside a stabilization fund, and that is where we are running into trouble with the federal marketing act.

That is due to the fact that it is not too clear as to whether the federal act authorizes the producers to do that, because you run into the realm of indirect taxation. That is where the controversy is right now, whether it is the responsibility of the federal government or the responsibility of the provincial government.

I understand that the Manitoba government were quite prepared to support an amendment to bill No. 82 during the last federal-provincial conference, and we further understand that this question has been now delegated to a committee. Possibly there are others here who can give you more accurate information on that.

That is the basic issue here, the question of whose jurisdiction it is. Apparently it is a question of indirect taxation, since it would be necessary to set up these stabilization funds.

THE CHAIRMAN: There is a difficult constitutional question there, it seems to me, that should not be described as just passing the buck. That is what I was trying to get at, if it was just passing the buck, which would be one thing, or if there is a constitutional problem. In that case it is a more serious problem and perhaps requires more thought and time and ingenuity to solve.

MR. WILTON: We met the federal cabinet last March and brought the question to their attention. They said they were aware of it, and that they would give it every consideration. They were going to bring in amendments to bill No. 82 so it would be possible for groups like dairy farmers in Ontario, if they so desired, to set up a stabilization fund voluntarily, so they would be able to level off the fluctuations in the market.

Well, that petered out, and I understand that the latest word from Mr. Gardiner is that until the legislation is challenged there will not be any amendments. So if I correctly understand the information coming out of Ontario, they are in the process now of putting it through the courts to challenge the legislation.

THE CHAIRMAN: I see. Thank you.

MR. STEWART: Do I understand that ultimately what you would like to see is, say, all the cattle producers or wheat producers coming under a national producer-controlled marketing scheme?

MR. WILTON: That might be the ultimate, but it is going a little more than 25 years into the future, I think.

THE CHAIRMAN: Let us not extend our terms of reference.

MR. STEWART: What is the first step toward this, then?

MR. WILTON: Marketing boards at the provincial level. They can then unite into a national marketing scheme when they so desire. It must be

voluntary, however.

MR. STEWART: What proportion of support would you feel would be necessary to maintain a voluntary marketing scheme?

MR. WILTON: It would have to be high.

MR. STEWART: Have you provision for testing this in the province of Manitoba?

MR. WILTON: Yes, under the Manitoba marketing board in this province. Any farmer group that has a scheme which they wish to present can present that marketing scheme to this board. They review it and okay it or reject it. If they okay it and pass it on to the government, the government then, if they see fit, can put that into operation right away without even asking for a plebiscite. But naturally they will ask for a plebiscite in most cases, I think, and they require a very high percentage of those voting to be in favour of it or else the scheme is defeated. You cannot pass laws that will bring people into line if they are not prepared to come into line.

MR. STEWART: Do you know what specific percentage is required?

MR. WILTON: The honey vote was taken in Manitoba a couple of years ago, and I think they required 70 per cent, which they got. I understand the plan is working fairly satisfactorily today.

MR. STEWART: How many operating plans have you on this basis?

MR. WILTON: I think the honey scheme is the only one outside the wheat board, which is a

different thing. The Manitoba honey producers' plan is the only provincial plan that I know of in operation at the present time.

MR. MOFFATT: If I may interrupt for a moment, in the middle of page 14 is the sentence on this subject which gave us considerable thought. You will notice it says, "For the same reason they support board marketing schemes for other farm products wherever this can be arranged and wherever strong producer support has been demonstrated."

In other words the discussion in the committee was to the effect that the position to be taken was to avoid a specific statement on what the percentage should be, but that the principle should be a demonstration of strong producer support, with the precise figure being left according to what the scheme was and what the opinion was at the time.

MR. STEWART: Do you know what proportion of the honey producers are under the scheme now?

MR. WILTON: I would say practically all of them. It is a very, very high percentage.

MR. McLEAN: The honey producers are required, as a result of the very large majority vote in favour of the plan -- all honey producers marketing honey in normal channels come under the authority and regulations of the board. Honey prices, according to the information I have, have been high and the actual marketing plan has not really been tested. But all producers who market honey are

required to come under the provisions of the board.

The big thing in all these marketing schemes is that when producers voluntarily agree among themselves that they want to do something, and indicate strong support, then they go ahead and do things for themselves under this enabling legislation.

MR. STEWART: Is the honey all marketed within the province, or do you export it?

MR. WILTON: No, a great deal of it is exported.

MR. GUSHUE: I take it that all honey would come within the scheme once you got the strong support?

MR. WILTON: That is true, but there are little leeways. A honey producer can market some honey privately to his former customers. It is not completely a shutoff, with everything going into the marketing scheme.

MR. ROBERTSON: That plan does not control any honey from outside the province, but only honey produced in Manitoba.

MR. WILTON: That is correct.

MR. STEWART: I think we have it clear that you would like to see this basis extended?

MR. WILTON: That is right.

MR. GRAUER: On the question of farm financing, which you cover on page 17 and in some other places, has there ever been a balance sheet drawn up? You have certain tendencies working in one direction, such as the efficiency of greater mechanization,

apparently larger farms and that sort of thing, which eliminate a good deal of labour cost. You have tendencies working in the other directions, such as the cost of the equipment. Where does the farmer end up as the result of these conflicting trends?

MR. MOFFATT: I am not aware of what you might call a thorough study of the subject, but several people have dealt with parts of it. Mr. Stewart will probably know these things as well as I do, if not better.

The concensus seems to be roughly this, that the farmer under a mechanization operation does considerably better than he would have done if he had tried to use the old methods, under present conditions. But the hazard that he undertakes is that he loses the flexibility downward in his costs in the case of either a bad crop or low prices. Over the long period he is probably considerably better off, but he does have a larger element of fixed cost he has to meet, and consequently it is subject to a wider fluctuation of his net return and more vulnerable in periods of either price decline or bad crops.

MR. GRAUER: I suppose, then, it would partly depend upon when the bad crops hit him?

MR. MOFFATT: And also on the frequency with which they hit him. One bad crop year he could probably do something about, by postponing his payments. If he had three in a row he would have a serious problem.

MR. GRAUER: And your representation is that there should be some financial arrangements

made to tide him over?

MR. MOFFATT: Well, there are really two representations being made under the financing section. One is that the fluctuation of income should be recognized, so that planning has to be in terms of a longer period than one or two years.

The second representation on the same section deals with the provision of capital as such, which is a separate point really, but it is brought under the one heading.

MR. GRAUER: Recently I saw some figures that related to the United States which showed that productivity on the farm had increased at a faster rate than in the factories. Is that true of Manitoba?

MR. MOFFATT: Those United States figures have this in them. You have to be careful in taking United States figures, because of the introduction of hybrid corn. The hybrid corn factor in United States agricultural production is something we have not done anything about, so those United States figures are quite dangerous because of that one factor alone.

Setting that aside, there is no question but that there has been a rapid increase in the productivity per man occupied on the farms. But the other point we make here is that some of that labour is now located in the towns and cities instead of on the farm, but it is still really producing farm products. So you get into very serious difficulties if you really try to tie it down. But there is this one factor which must be considered in using United

States figures.

MR. GRAUER: There has not been any particular study made in Manitoba, apparently?

MR. MOFFATT: Not that I know of.

MR. GUSHUE: There are two points on page 20 of the brief related to the same subject, really. "We therefore favour increased use of Canadian farm loan board facilities with interest rates at the lowest level possible."

Are those now available? Is it a question of an amendment of the act, or a question of the policy of the farm loan board, or is it the fact that they have not been requested to extend these facilities? Are they sufficiently broad in their scope now?

MR. MOFFATT: Unfortunately the man on our committee most interested in this is out in the country and could not get in because of the weather. This is the field in which he was particularly interested; but the Canadian farm loan facilities are definitely available here and are being used. I think there was some discussion of that yesterday.

MR. GUSHUE: And are reasonably wide?

MR. MOFFATT: Reasonably wide; but the farmers are still having difficulty, in spite of this, in raising the amount of capital they require, particularly the new farmer who is just getting started, or the man who is expanding his operation.

MR. GUSHUE: That is what you come to a little later on the same page, where you say that loans might be made available on another basis.

There is a sentence which rather interests me, and you might elaborate on it:

"The terms of repayment might be made somewhat faster but with a provision for accumulating payment credits to be drawn upon in case of a crop failure."

Just how would that work out? I am rather interested in that.

MR. MOFFATT: That is a reference to a study that was done for the federation by Professor Sinclair of the university here. Copies of that study could be made available to you.

This is a very brief summary of three or four pages in his report. The suggestion is that there could be an arrangement in these new farm operation cases for a little more supervision of how they were running their farms, and a provision that if in the first few years they had good crops they could pay in much larger amounts, on the understanding that if they hit a bad year they could draw on the accumulated credits of the years that had gone ahead.

Take as an example if the payment was \$300 a year and for the first two or three years the borrower paid \$500. In that way he would accumulate \$200 credit each year, and be able to draw on that in a year when the crop was bad.

MR. WILTON: Mr. Fry might have a word to say on this subject.

MR. FRY: Mr. Chairman, it seems to me that this particular problem of farm credit is very

significant in Canadian agriculture, and it is general over the whole country. As you suggested a moment ago, we have not the population nor the number of statisticians and economists to do all the figuring that is done in the United States. Our trend, however, is in the same direction in almost everything relating to agriculture, and I think we can accept the tendency indicated by United States figures in most cases.

In relation to farm finance, the United States experience, and as far as we know, the experience in Canada, is that the increase in net worth over a period of years in agriculture is around 3 per cent. That is also true in the United States, and has been true for a long time. Now, as the result of their prosperous years and the price support programme in the United States, it may be around 4 per cent.

THE CHAIRMAN: Would that include the capital appreciation?

MR. FRY: That is the increase in net worth of the farm as the result of the improved prices, better farming methods and so on; it is the average over the years.

The feeling in the Canadian Federation of Agriculture -- and this applies to Manitoba or any other province -- is that farm credit, long-term credit, should be based somewhat on that 3 per cent figure, and also the rate of interest, because of the hazards involved in agriculture, which are greater than in almost any industry I can think of. At the same time I have heard discussions suggesting that the credit should be available for 40-year periods.

Banks are not in a position to provide that type of credit. A large proportion of the long-term credit in the past has come from retired farmers and other individuals, but very often they are not prepared to provide long enough term credit, because they are usually retired people and they do not want to commit themselves to 30 or 40 years, when they may not be here.

So a basic problem, which is a federal problem; it cannot be done by the provinces, or at least they will not do it, is long-term credit at a rate of interest that is more or less commensurate with the average increase in net worth, which gives the farmer a chance to pay it off.

There was a point raised a moment ago which I cannot recall at the moment, but I think that is the basic factor involved. In western Canada, despite the increased diversification in Manitoba and Alberta as compared with Saskatchewan, the hazards are still tremendous, and they are devastating at certain times. The farmers, who have more or less completely recovered from the period of the thirties, are now wondering whether they are back there again. They cannot sell what they have, and last year they could not produce anything, while costs are still going up to some extent. So they are really in rather a bad way.

MR. GUSHUE: The point in which I was particularly interested was the suggestion for accumulating payment credits against a crop failure. Is that suggested as a general principle, or merely for these particular cases where payments have been made against

loans? It is a rather interesting suggestion.

MR. WILTON: I think it was Mr. Sinclair's belief that it would be a general practice.

MR. GUSHUE: In other words crop failure insurance?

MR. WILTON: Well, I do not think he considered it as that. He felt that in good years substantial payments would be made toward this long-term debt.

MR. GUSHUE: Then it applies where there is a debt?

MR. WILTON: Yes, it only applies where there is a debt, and it is for the debt only.

MR. FRY: The point in reference to the Canadian farm loan board, the criticism of that board is that it is too much like a private investor. That is to say, the board is administered by a group of people who feel their responsibility very keenly. They feel they must protect themselves against losses in connection with the public funds which they are administering. They also feel that they must go further than that, as more or less civil servants, and create some reserve protection, in other words keep things going just a little bit better than is really necessary.

The result is that the condition is rather tough as far as the general needs of agriculture are concerned. The interest rate is also 5 per cent, which I think farmers generally feel is out of keeping with the argument put forward a while ago. There is a strong feeling that security of farm loans would

be safeguarded if the methods of co-operative credit were used, in other words if a farmer got a loan on the recommendation of his neighbours who knew him, who knew his ability as a farmer and as a risk.

That, of course, is the whole basis of the credit unions. Their losses are extremely low. I would not be surprised if the Canadian Federation of Agriculture incorporated something of that suggestion in its policy in regard to this matter.

THE CHAIRMAN: Well, thank you very much, Mr. Wilson and Mr. Moffat. We are grateful to you, and particularly that you sent in the brief ahead of time so we had a chance to study it. Mr. Jorgensen and Mr. Galonsky, if you are agreeable we will start in with your presentation immediately at 2.30.

At 1 p. m. the commission
adjourned.

---The commission resumed at
2.30 p. m.

THE CHAIRMAN: Well, if we will come to order we will hear Mr. Galonsky and Mr. Jorgensen of the Manitoba Farmers' Union, whose presentation will be marked as exhibit 30.

MR. GALONSKY: Mr. Chairman and members of the commission, we are just presenting a short brief today. Probably we will be a little different in this regard, in not putting together a big, fat brief. However, we will not take too long.

We welcome this opportunity to present our views to this commission on behalf of the farmers of Manitoba. The Manitoba Farmers' Union is a body of farm men and women organized on an annual, direct dues-paying basis, and expressing their views and opinions through the 400 local organizations in the province of Manitoba. Although we do not pretend to speak for all of the farmers in this province, we do feel that we represent a very wide cross section of farm thinking.

THE CHAIRMAN: May I interrupt at this point. How many dues-paying farmers do belong to the union?

MR. GALONSKY: Of dues-paying farmers we have approximately 32,000 farm people represented in our organization. We therefore sincerely hope that our memorandum will receive the consideration we think agriculture deserves as an integral part of our national economy.

Before going into the subject matter of

our memorandum to you, may we say we are sorry that we have not been able to find sufficient time to prepare a brief to the commission outlining in detail all of the factors that apply to our agricultural industry as against those of other industries in Canada. However, we hope, in fact we are confident, that through your hearings in western Canada you will be able to get a clear picture of the agricultural position in the framework of Canadian economy.

In making this presentation we will endeavour to point out that any effort to determine the economic prospects for Canada without taking agriculture into consideration, would be basically unsound.

Mechanization. There have been some suggestions made to the effect that the domestic market for farm machinery and appliances is declining because it has begun to approach the saturation point. During the war and post-war years, the market boomed because farmers had high buying power and a tremendous backlog of demand had built up during the depression years, coupled with the fact that labour was very difficult to obtain and farmers were forced to mechanize in order to get by with less labour, because it was impossible for them to compete with other industries and attempt to give labour the earnings available elsewhere.

Now it is claimed that farmers have equipped themselves adequately with a resulting decline in the market. This is far from the truth, as

depreciation and wear on farm equipment is very rapid and under normal conditions and with adequate purchasing power the farmers would replace equipment on the average of every five or six years.

The fact is that farm mechanization in Canada is far from complete. The 1951 census shows that for every 100 farms in Canada there were only 53 automobiles, 31 trucks, 64 tractors, 29 gasoline engines, 40 binders, 15 combines, 16 threshing machines, 12 milking machines, 32 electric motors. This certainly does not tend to show that farmers have reached the ultimate in mechanization. We will not even attempt to estimate the number of farm homes that are without modern plumbing, heating units and other electrical appliances that are considered so essential to maintain living standards in the average urban home.

Taking into consideration the number of larger farms which must duplicate numerous items of mechanical equipment, it is apparent that a great need still remains to be met.

Also taking into consideration the depreciation allowance on these machines for income tax purposes, we believe that the saturation point will never be reached, but that a steady market will be maintained for domestic production of farm implements and appliances provided that farm income is brought into line with other industries.

Looking on the other side of the ledger, the Canadian consumer is our best customer for all farm products except wheat. But unless the Canadian worker

is fully employed, limited incomes restrict both the total quantity of food consumed, and the consumption of the more expensive, health-giving foods.

The following study of food expenditures was released by the United States Department of Agriculture in 1948 and, although the figures apply to the United States, there seems no reason to believe that the ratios could not apply to Canada as well.

I do not think I need to read the figures, but from this table it would appear that lower incomes and unemployment would be a factor in building up farm surpluses, which in turn lowers farm income again, the result being that a vicious economic cycle is set in motion in which the negative factors begin to compound each other in the wrong direction.

We are convinced that unless the basic problem of greater productive power in both agriculture and industry is met with greater purchasing power in both agriculture and industry, this serious unbalance will continue to become more acute.

Agricultural position today. Agriculture, the basic industry in our economy, began its downward trend in 1951 and has continued in that direction until today we find our industry in a very precarious position.

Between the years 1951 and 1953, farm income declined by 23 per cent while the rest of the Canadian economy prospered. In 1954 the decline in farm income was most pronounced in western Canada. Manitoba lost \$32,352,000, Saskatchewan, \$277,740,000, and Alberta \$97,427,000, so that in one year the three prairie provinces lost \$407,519,000 in farm income.

When such a vast amount in purchasing power is cut off from the farmer in one year, it must noticeably affect the rest of the economy. During the first six months of 1955, we find farm income has again gone down another \$30,000,000, meaning that once more the farmer must tighten his belt and try to make ends meet without those necessities which he would normally acquire.

During the 10-year period 1931-40 the western farmers' cost of living and production index stood at 99.8. In the crop year 1954-55 it has risen to 225.2. Taking as an example the purchasing power of a bushel of wheat, we note that during the period 1931-40 its value was 80 cents; but, in the crop year 1954, the total price received for top quality wheat, even though it amounted to \$1.56.3 per bushel, had a purchasing value worth only 70 cents or 10 cents less than the 10-year average of the depression years.

For further information to your commission, we wish to file with you Exhibit 1, which will show the continuous increase in farmers' production costs and the continuous decline in the purchasing power of a bushel of wheat.

Further we desire to file with you Exhibit 2, which will show the same figures, only on a 10-year average period as in comparison to the past five years, and on the reverse side will point out the value of the initial payment on grain at the local elevator point.

One may ask, how have farmers been able

to operate under these conditions? The answer is that, in the majority of cases, during the war years and the immediate post-war period farmers had taken on vast purchases of new machinery and equipment. Immediately after the war, and up to 1951, most farmers were carrying on and living off the depreciation of this equipment. Today they find there is a need for more replacements and new equipment, but there are no resources from which they can draw. Total farm debt is higher than ever.

The Canadian farm loan board report for 1955 states that farm loans totalled \$8,225,500 for the year ending March 31. And at the year's end, loans outstanding were the highest in the board's history, a total of \$40,120,336 on 18,111 farms. It is also estimated that total loans by farmers from all sources have risen by an average of \$1,100 in the first six months of 1955, as in comparison to the same period of 1954. The total debt of farmers in the first six months of 1955 stood at \$1.3 billion, compared with \$1 billion in the same period in 1954. This total debt is equivalent to the total value of Canada's grain crop, and it is very doubtful that this condition can continue without having an adverse affect on the whole economy.

Trends in agriculture. During the past 20 years there have been noticeable changes in farm population, size of farms, and type of farming.

In 1931, farmers in the three prairie provinces represented 50 per cent of the total population.

In 1941 this figure showed a slight decline to 47 per cent. But from 1941 to 1951, farm population dropped to 37 per cent. In Manitoba alone this meant a loss of 48,000 farmers since 1931.

On the other hand, the average size of farms increased from 279 acres to 338 acres during the same period, with the most noticeable increase taking place between 1941 and 1951.

As production costs during that period rose correspondingly, it would appear that the lower margins of profit bear a significant relationship to larger farming units and fewer farmers.

Other definite factors are responsible for this trend. The war, and the immediate post-war years, produced a shortage of farm labour that compelled farmers to mechanize quite extensively, to a large extent beyond their ability to pay. The loans made through the Farm Loan Improvement Act clearly indicate this point.

Since 1951 production costs have continued to rise and farm income on the prairies has shown marked downward trends. This economic squeeze has resulted in the trend toward still larger farming units, a trend that is continuing, and we believe will continue until farm income and operating costs are brought back into line.

We believe that the creation of "factory farms" in Canada should be discouraged. The smaller, family-size farms are a far better investment for Canada's economic and political future.

Another disturbing aspect of today's farming outlook is that the average age of farmers has increased. We have no figures to substantiate this claim for Manitoba, but a survey conducted in Ontario revealed that the average age of farmers in that province was 60. Our observations are that Manitoba is not too far behind.

This, of course, results from the almost impossible situation created by high capital investment and production costs on one hand, and extremely doubtful and declining income on the other. Very few young people today are willing to face up to this challenge.

Farming trends in themselves are changing. Many farmers now prefer to live in the nearby towns and villages where they are able to enjoy the better social and educational facilities for themselves and their families. These people have abandoned diversified farming practices, and are specializing in growing cereal crops only. This applies particularly to the group of farmers who have larger holdings.

Still other farmers migrate to the cities during the winter months to find employment in order to round out their shrinking farm incomes. This, of course, does not apply to the areas where waste land, unsuitable for cultivation, compels farmers to raise livestock.

Generally speaking, we believe there is a pronounced trend toward specialization in agriculture, mainly because capital investment and labour costs in efficient mixed farming are prohibitive, and second,

modern farming methods require skilled management and technical knowledge in every phase of a diversified farming programme.

However, the present wheat surplus has altered this situation somewhat. Farmers, short of cash, are beginning to raise more livestock, and unless consumer outlets are found to meet this increase in livestock production, we will have more than a surplus of wheat on our hands; we will have lower prices for livestock and more bankrupt farmers.

Government policies. We believe that perhaps the greatest single factor in influencing present trends in agriculture is, and has been, the policy or lack of policy on the part of governments. Therefore, it would be extremely difficult to determine what changes we can expect unless government policies are taken into consideration. The most important of these policies are --

1. If continued agricultural research is to be carried out in order to assist farmers to produce more, then increased marketing research will be necessary in order to find consumer outlets for increased production.

2. Since production costs are rigid, it is necessary to stabilize income if agriculture is to maintain its purchasing power.

3. Better rural educational facilities are needed to give country children an equal opportunity.

4. If the marketing of agricultural products is to be government-controlled, then the government should

be prepared to accept the responsibility of disposing of farm products at their expense.

Conclusion. In closing, may we once again extend our appreciation for this opportunity to bring before your commission our views and observations on behalf of the farmers of Manitoba.

We do not pretend to have all the answers to our agricultural problems, but we do believe the present agricultural situation requires serious consideration and study by your commission. We sincerely hope that every effort will be made by you to strongly point out the importance of establishing a sound agricultural policy that will apply not only to the conditions existing today but also to the trends of the future.

All of which is respectfully submitted on behalf of the Manitoba Farmers' Union.

THE CHAIRMAN: Thank you, Mr. Galonsky. There is a reference to debts on page 6 on which I would just like to be straightened up. You say that the farm loans of the Canadian farm loan board were \$8,225,500 for the year ending March 31. Which year is that?

MR. GALONSKY: Well, I'll tell you. These figures appeared in Monday's newspapers, and just as we were doing this section I happened to notice them; so it must be for the present year.

THE CHAIRMAN: I think it must be 1954, and the other figure must be 1955. Then on the bottom of page 7 you state that the creation of factory farms in Canada should be discouraged, and at the bottom of page 8 and the top of page 9 you

refer to the pronounced trend toward specialization in agriculture.

Is it not true that in every occupation, every industry, the trend is toward bigness, whether we like it or not; and that the alternative would mean a reduced standard of living which a good many people would not be prepared to accept? I do not see how you can have it both ways.

MR. GALONSKY: I look at it this way, Mr. Chairman. Is it beneficial to the country or to the economy of the country to reduce the number of farmers or to increase it? We take it that it is desirable to increase it, because we know that the average farmer is more a consumer than he is a producer today.

THE CHAIRMAN: He is going to be a consumer whether he lives on a farm or somewhere else.

MR. GALONSKY: Yes, but he would not consume as much. The average farmer in Manitoba consumes four times the value of consumer goods that the urban dweller consumes. That alone is a great asset to the labour people, and to industry. Last year the University of Western Ontario conducted a study of western Canada, and they have established that the average investment on the average farm in western Canada is \$20,000.

THE CHAIRMAN: But surely if you had twice as many farms you would not have each of them with an investment of \$20,000. The reason for the large investment must be in part the tendency toward

larger farms and the need for more mechanical equipment.

MR. GALONSKY: Yes, but the point is this, in connection with the larger unit. What we point out in our brief is that when you get a factory type farm it is going to specialize. You have the situation in the United States today, where supposed farmers are living in Chicago or New York and running \$10,000 or \$50,000 farms in Nebraska or Kansas. That is no good to the economy of the country, because he is going to grow a whole lot of wheat or a whole lot of barley, and we do not want that. It is the small farmer who is going to be the backbone of the economy of the country, not the big one.

THE CHAIRMAN: I ask these questions just to please Mr. Lussier, because he agrees with you completely.

MR. GALONSKY: That has been our policy all along, to protect the family farmer. We want the family farmer to be maintained on the land, to support the families and not chase the kids into the cities.

MR. GUSHUE: How many farms in Manitoba are operated other than by a family?

MR. GALONSKY: I wish you would recommend to the government that the next time they take a census they make sure to work out some manner whereby you can tell how many such farms there are.

As far as I am concerned I figure that there are roughly 37,000 farms in Manitoba. According to the census there are 52,800, but I do not believe you can classify a man as a farmer when he makes \$250

on a piece of land. He just cannot possibly make a living out of that land in these days, so why should he be so classified? According to our analysis, we think there are no more than 37,000 farms.

MR. JORGENSEN: It might also be interesting if you could suggest that the government determine, when they conduct a survey of this kind, just how many farmers are living in towns and cities and operating their farms from their homes there. Then we would have a better idea of just how pronounced this trend is. We know it is happening, but we cannot tell you to what extent, because the figures are not available.

MR. STEWART: We just came back from the maritimes, where there are many farms which have no more than 20 acres of arable land on them. Some people down there claim that is a good family farm. What do you have in mind when you speak of a family farm?

MR. GALONSKY: I roughly figure that a half section in Manitoba would be a fairly economic unit. A family type of farm, in my interpretation, is an economic unit.

MR. STEWART: You would have a combine on this half section farm?

MR. GALONSKY: Oh, definitely.

MR. STEWART: How many hours of work with a combine would be involved in a half section?

MR. GALONSKY: That is a very good question, and I have argued that point with many people; but here

is what I say. You have to mechanize. Present weather conditions, present conditions in agriculture, are such that you must do your work in the shortest possible period of time; but if you are going to have to go to a unit of 600 acres before you buy a combine -- well, I don't know. I operate 240 acres, and I have a combine.

MR. STEWART: Would it be a fair question to ask what your capital investment in equipment is, on your farm?

MR. GALONSKY: I know it is much higher than it should be. It is about \$15,000.

MR. STEWART: You see the problem, anyway. You have a small farm, but you may have to over-capitalize in order to operate it.

MR. GALONSKY: I know one thing, that I would like to have stability of income or a parity price, in our interpretation. They did not know about that in Ottawa until the Farmers' Union got going three years ago. But I know that a small economic farmer would be a very great asset to the economy of the country, because he would purchase this equipment. He would go short on other necessities, but he would purchase this. He would go short in his savings if necessary, because on the average the farmer is a man who likes to spend that green stuff. If he has it he is going to spend it. It may be a new car, a combine, or a tractor, but he is not going to sock it away. There is the odd one, but not too many.

MR. LUSSIER: Have you any co-operatives?

MR. GALONSKY: No. As far as equipment

is concerned we have the Canadian Co-operative Implements Limited. Oh, you could call it a purchasing co-operative, but it is set up on a three-province basis, Alberta, Saskatchewan and Manitoba. The factory is established here in Winnipeg. They have done fairly well, and have saved the farmer a considerable amount. Of course you realize how farmers are. One wants a John Deere; the other wants a Massey, and the co-operative has a Cockshutt. So what are you going to do?

THE CHAIRMAN: You mention that the average age of farmers in Ontario is 60.

MR. GALONSKY: That is a figure we obtained last year. I just forget the source of that information, but I kind of could not quite believe it, because that is a fairly high age; but it was a pretty authoritative source, I am sure. I just cannot recall the source of that information, but I know I have that in the office somewhere.

THE CHAIRMAN: Certainly I must say I would be surprised if it were a fact. Do you think it is true in Manitoba?

MR. GALONSKY: In the last few years the trend has been the other way, and I hope it continues. But we do know there are a vast number of older farmers still trying to keep going, because the young people have deserted them and there is no recourse but to try to keep the farm going.

MR. GRAUER: On page 6 of your brief you have a paragraph relating to the purchase of equipment and machinery during and since the war. Do you have the

year by year statistics for that period?

MR. GALONSKY: Yes, I have. We were going to include them, but we thought we would keep away from figures.

MR. GRAUER: The reason I am asking is that I am surprised if that is right, and I was wondering where you got your figures. You say:

"--during the war years and the immediate post-war period farmers had taken on vast purchases of new machinery and equipment. Immediately after the war, and up to 1951, most farmers were carrying on and living off the depreciation of this equipment."
I would be very surprised if that is correct.

MR. GALONSKY: Well, I would say it was, because you must realize that the big change started in 1944 and 1945.

MR. GRAUER: We will not argue about it, but if you have the figures I would like to see them.

MR. GALONSKY: I have not them with me.

MR. GRAUER: You can send them in?

MR. GALONSKY: Yes.

MR. GRAUER: Start with the beginning of the war and through to the present time, would you?

MR. GUSHUE: On page 7 you make this statement:

"--it would appear that the lower margins of profit bear a significant relationship to larger farming units

and fewer farmers."

Just what do you mean by that; that the larger the farm the less chance there is of profit?

MR. JORGENSEN: No, just the reverse; the larger the unit, the more land you operate with the same equipment.

MR. GUSHUE: And the better chance of profit?

MR. JORGENSEN: Yes.

MR. GUSHUE: I do not think it is quite expressed in that way, but that is what you mean.

Then on page 9 there are two points. In paragraph 2, under "Government policies" you say:

"Since production costs are rigid, it is necessary to stabilize income if agriculture is to maintain its purchasing power."

Would you like to enlarge on that? I would like to know just what it means.

MR. JORGENSEN: Perhaps I could say that in two words: parity prices and crop insurance.

MR. GUSHUE: By parity prices you mean government guaranteed prices?

MR. JORGENSEN: Yes, bearing a relationship to the value of the things we must buy.

MR. GUSHUE: Then there is No. 4. It starts with a supposition, so I am not sure whether you are using a premise without supporting it:

"If the marketing of agricultural products is to be government-controlled

then the government should be prepared to accept the responsibility of disposing of farm products...."

Do you mean there that the marketing of agricultural products ought to be government-controlled? Are you supporting the policy that they ought to be government-controlled, or are you not?

MR. JORGENSEN: We are referring more to the present wheat situation.

MR. GUSHUE: Not to all agricultural products?

MR. JORGENSEN: No, because they are not all government-controlled.

MR. GUSHUE: It is a general statement, and I wondered how far you meant it.

THE CHAIRMAN: May I ask a supplementary question. Are you for or against the marketing of agricultural products being government-controlled?

MR. JORGENSEN: The policy of our organization entirely supports the principle of the wheat board. We do not necessarily support some of the policies being followed by the wheat board at the present time, but we take it that is our privilege, to recommend changes.

THE CHAIRMAN: But in principle you agree?

MR. JORGENSEN: Yes.

MR. STEWART: Do you generalize this to extend to other products?

MR. JORGENSEN: The question had reference

to the wheat board, and we have replied just as far as the wheat board is concerned at the present time. The general policy has been that the members, as farmers, are in support in theory of marketing their products through marketing boards where they are producer-controller; and I think perhaps that is the preference.

THE CHAIRMAN: Well, thank you very much, both of you; and I apologize again for getting a little mixed up before lunch and holding you up.

THE CHAIRMAN: Now we have the submission of the Winnipeg Grain Exchange. Mr. Leach, are you going to present this brief, which we will file as Exhibit 31?

MR. LEACH: Mr. Chairman, first I would like to express the regrets of Mr. Stanley N. Jones, president of the Winnipeg Grain Exchange, because of his inability to attend here to present this brief or make a formal presentation of it. As I believe he advised you and some of the other members of the commission, unfortunately and unavoidably he has an engagement out of town in connection with the Manitoba Chamber of Commerce.

The Winnipeg Grain Exchange appreciates this opportunity of appearing before you and hopes that its contribution to your study of Canada's economic prospects will be helpful and constructive. You have had an opportunity to examine our written submission concerning the outlook for marketing Canadian grain during the next quarter century, and no doubt you have given some consideration to the observations which we have made concerning production and marketing policies.

Our examination of the best available projections of Canadian population growth, of agricultural production trends and of the general economic outlook leads us to the conclusion that for the next 25 years, probably much longer, Canada will continue to produce an important surplus of wheat in excess of domestic requirements. It will be necessary

to dispose of this surplus abroad; and it follows, therefore, that world values for wheat will be the principal price-determining factor for Canadian wheat. This means that basic policy should encourage the agricultural industry to strive for national efficiency and comparative advantage in order to compete successfully on world markets.

Farmers, of course, have a right to be protected from economic developments at home and abroad which they are powerless to prevent or to guard against, and it will be necessary to provide producers with some form of protection against such developments. Possibly, too, consideration should be given to policies which will minimize for producers the hazards of price uncertainty, even though the economic fact of the uncertainty of price undoubtedly cannot be ordained out of existence.

Policies which have as their single goal the improvement of income distribution among farmers and between farm and non-farm people -- artificial pricing, delivery quotas and the like -- are guided by welfare criteria. But policies which are based on welfare criteria alone are almost certain to cause confusion and waste in the over-all marketing process, unless they are implemented with full regard for production efficiency on the farm, economical handling at the primary and secondary stages of the marketing process, and a realistic recognition of the fact that Canada must sell its grain in very competitive world markets.

Since Canada does not enjoy the prerogatives

of monopoly with respect to grain production, it must pursue a flexible price and supply policy. In order to dispose of our grain surpluses abroad, changes in world values for grain must be realistically accepted, but when world prices are inadequate for producers, the full impact of such declines should not be allowed to fall on the narrow western Canadian grain economy alone. Some method must be devised by which the impact of inadequate returns can be spread throughout the whole economy, and thus minimize the economic dislocations resulting from price declines. Welfare programmes which seek to protect the producer against occasional declines in world values, but which may deny the facts of trade by constantly imposing rigid and arbitrary price structures throughout the marketing process, will be self-defeating in their attempts to achieve better income distribution and price stability for producers.

Careful study of the western Canadian grain marketing situation leads us to one very definite conclusion. It is this; there is not one problem but two. In the one instance, there is the problem of adequate welfare and social security measures for western Canadian agriculture. There is also the problem of encouraging the efficient production of grain at low unit cost, its efficient commercial handling through the various marketing stages, and its ultimate sale on competitive world markets. The two problems cannot be solved by a single treatment. A single treatment which will solve one problem will often confound the other. The task for the policy

makers in the next quarter century is clear. Separate and adequate policies for the solution of both problems must be developed, but in their application such policies must be sufficiently complementary as to prevent either policy from thwarting the purpose of the other.

Very briefly these are the basic principles upon which the Winnipeg Grain Exchange believes that grain marketing policy should be developed. It is a truth that much of the prosperity of western Canada, and in fact of the nation, will depend upon a realistic approach to the development of adequate policies for grain during the next quarter century.

That, Mr. Chairman, is an attempt at a summation of what we have presented to you in our brief. We hope it will perhaps be the springboard on which you will wish to pose certain questions.

In the absence of Mr. Jones I have flanked myself, with your indulgence, with some of my colleagues. I have with me Mr. Hickman, who is the Canadian manager of the Norris Grain Company. I have Mr. Kroft, who is president of the McCabe Grain Company. These are men who are trained in the commercial field and are well acquainted with all phases of the grain marketing process. We also have with us Mr. Elliott, from our own grain exchange staff, who latterly has been specializing in leading our discussions on these subjects having to do with economic problems.

Thank you, sir.

THE CHAIRMAN: Thank you, Mr. Leach. You were good enough to let us have this brief well in advance, and as a result we have had a chance to study it. I expect that all of us have a number of questions we would like to ask. I was going to try to introduce some order into our questioning, but on thinking it over I guess that is a poor idea.

I have just marked pages in your brief about which I would like to ask questions. The first query I have is with regard to page 17, where you say:

"The recent decision of the United States not to impose quotas during the current crop year, although probably inspired by changing price relationships rather than by a basic change in trade policy, can be taken as an indication that in principle at least, the current administration in the United States supports liberal trade policies."

I wonder if you would like to enlarge on that a bit, because there are some who think that the support of liberal trade policies leaves something to be desired. We have heard a certain amount about it, and I am pleased that you gentlemen feel that things are moving in the right direction. Would you like to expand on that statement?

MR. LEACH: I think perhaps there are different issues involved in your question. We are referring to the import of Canadian grain into the United States; oats, barley, and even -- mirable

dictu -- feed wheat, No. 6 wheat, which is going in today.

The criticisms you have heard are in connection with the United States, shall we say, pumping out grain into certain areas of the world; and I really do not think there is much connection between these two. The criticisms are directed against the United States export policies, and what we have referred to has been the accessibility of United States markets for our grains.

THE CHAIRMAN: Well, I was not entirely thinking of the export policies. There are those in this country who think it would be nice if we could export to the United States various products in more completely processed form. Still, I think you have covered that point.

Then there is just a detail on page 22, where you refer to Turkey and say:

"Turkey has nearly doubled its wheat production since the end of the war and is handicapped as a wheat exporter only by the lack of adequate storage and handling equipment."

It is true also, is it not, that the domestic price for wheat in Turkey is pretty high?

MR. LEACH: Yes.

THE CHAIRMAN: Over \$3?

MR. KROFT: Approximately that. Of course I do not think their domestic policy in Turkey up to the present time has had any relationship at all to

what they were able to sell.

THE CHAIRMAN: Because they could not do it anyway?

MR. KROFT: No. There has been a great deal of encouragement for the production of wheat to make Turkey self-sustaining.

THE CHAIRMAN: On page 26 you talk about the new markets which may open up, particularly in Japan, but you also refer to some South American countries. How important do you think those markets could become for Canadian wheat, in absolute terms, in terms of the quantity of grain they might take?

MR. KROFT: There are figures available as to how much wheat we now ship into those central American countries, and they can become quite important. Cuba -- that is not central America, but is in the same vicinity -- has always been an important market for Canadian wheat. There are a good many of these countries which, because of the type of life they desire, find it difficult to get any high protein wheat any other place but Canada. The only other place where they do have any large quantities of the type of wheat they require in those countries is in the northern United States, and generally that wheat sells at such a high premium over other wheats that it is seldom exported. It is to a limited extent, but not in any large quantity.

If you like, we can arrange to give you some figures on exports of Canadian wheat to some of these countries. They are available.

THE CHAIRMAN: I do not like to ask you to do that, because we will be collecting those figures in due time. We have a staff who are collecting those statistics, and there is no point in duplicating what they are doing.

Then on page 30 you refer to the attempts which have been made in the past to buttress farm income or to protect the agricultural standard of living by artificial or arbitrary grain-pricing methods. You also go on to say that in practically every instance such practices, by creating surpluses, while sacrificing sales, have confounded the problem for which the solution was sought.

Have those practices of buttressing farm income had as much to do with the creation in Canada of surpluses as such other things as the weather and the practices of other countries? It seemed to me that you were making quite a point here that measures which were designed to increase or buttress, to use your word, farm incomes, have had a lot to do with the problem. It seems to me that there were other factors that have had much more to do with this question of surpluses.

MR. LEACH: Those other factors have always been with us, over a long period of history; not necessarily every year, but they are constantly recurring.

THE CHAIRMAN: The chances are that the first factor, of buttressing income of farms, will be with us too.

MR. LEACH: From, shall I say, the country elevator or the actual country point of view, the point we are making here is that the welfare aspect has been applied in connection with price. It has always been harnessed to the price paid to the producer, and has had some effect in limiting sales or merchandising processes in the tertiary stage.

I do not wish to impose upon my colleague Mr. Kroft, but once again he is in the export field and I might ask him to carry on from there.

MR. KROFT: Well, of course, in referring to the present situation -- and I do not think we would be expected to discuss the current situation in all its aspects at the present time -- we would certainly feel, and we do feel very strongly, that any relationship between the price paid to the farmer, or the welfare aspect of a support price, to the export price does tend toward an artificial price which will encourage production at times when production is not necessary, and I think that is the point we are trying to develop there.

MR. GUSHUE: But you do suggest that some assistance might be necessary. What type would that take?

MR. KROFT: We strongly suggest that we cannot ignore the welfare of the western producer or of western Canada as a whole. But in reference to the type of that assistance, frankly I do not think

we are qualified to suggest what that might be. I would suggest that is really a government consideration.

THE CHAIRMAN: But it does not seem to me you can very well say that there should be some assistance without having some suggestion that could be made as to what form the assistance should take. If it is not to be included in the price, then would it be just a handout?

MR. HICKMAN: If necessary it could be a subsidy.

MR. KROFT: Price alone is not always a factor. The price for a very small quantity of grain is not enough to take care of the farmer's requirements, whereas if he has a large yield a reasonable price might be quite enough.

MR. LEACH: In using the word "subsidy" I do not think we would tie ourselves completely to the suggestion that it would necessarily be an export subsidy. In other words it might be a subsidy applied, or a payment applied, in the initial marketing stage, under certain conditions. I just wanted to make that clear.

THE CHAIRMAN: Yes, I see.

MR. GRAUER: When you talk about a social security measure, there is a certain parallel to what happens in the field of industry with respect to unemployment and problems of that nature. In agriculture I believe you have a cycle -- not necessarily a nice little round one, but I believe you have cycles of good crop years and cycles of poor ones. I am just

wondering if the use of the term "social security" is very fortunate. Unemployment occurs, and you are without income completely, with no chance of having stored up something in advance, whereas if you have had some good crop years there is always the possibility of bailing yourself out if you have some good ones coming.

It has been suggested here, for instance, that some easier form of credit would help under certain conditions, but I believe the idea was that it should be paid back. Is that the sort of thing which would be included in the term "social security" for farmers?

MR. LEACH: Mr. Grauer, you have touched upon a question which we are currently studying, which Mr. Elliott is engaged in studying now. Mainly it has to do with price insurance; and while we do not have it completely finalized in our thinking as yet, perhaps Mr. Elliott might speak about that.

MR. ELLIOTT: We are not prepared to recommend a specific price insurance scheme or anything of the sort; but in connection with our day to day work and concern with the problem of marketing grain, we believe there are certain areas for investigation by the policy makers; and we are trying to do our homework so that in the event we are ever asked for suggestions we will be prepared to make them.

One area in which we are quite interested is the matter of a price insurance system tied in perhaps with some of the aspects of the forward pricing system. Again we have not completed our studies, but

we do believe that the type of assistance to producers, to protect them against certain economic developments or capricious nature, should be sufficiently flexible to apply as required and when needed, and to be withdrawn if not needed. It is the rigidity of welfare programmes, or whatever the type of assistance might be, which is applied at the primary market level which seems to shut the producer off from the real market for which he should be producing; and we are a little concerned with that.

We feel that a price insurance scheme which would give the producer some returns if the price did not return to him that which the nation as a whole felt he should have to protect this part of the economy, would be more desirable in the form of assistance of that kind which would apply as required. We would hope that the policy makers of the next 25 years would explore these possibilities, rather than an arbitrary price fixing system.

THE CHAIRMAN: There is just one point, Mr. Elliott. On page 42, at the top of the page, this is stated:

"Constant application of a stabilizing policy at the primary marketing level tends to create in producers' minds a complete unawareness of the real market for which they are, or should be, producing."

I wonder how strongly you feel that.

Do the producers in western Canada not have a very live understanding of the markets for which their wheat is destined?

MR. ELLIOTT: I would say I have some reservations on that observation, but I think the best illustration of the point we make there can be given by going outside the boundaries of our own country. I heard Mr. Earl Glutz, assistant secretary of agriculture in the United States, put it very well on one occasion when he was referring to the parity system of prices and price supports in that country, when he said the producer had become so accustomed to producing for this artificial price support for the government, which does not eat a pound of cereal or wear a pound of fibre on its back, that he had forgotten all about the real markets for which they should be producing.

That is the sort of thing we have in mind when we say that the constant application of a stabilizing policy might very well lull producers into a forgetfulness concerning the real demand by real markets.

THE CHAIRMAN: I have asked a number of particular questions here and there, but after reading your brief a couple of times I have tried to sort out in my own mind just what are your views, and I would like you to criticize my very brief summation.

It seems to me that the policy which you are recommending is a return to the free market

insofar as the selling of grain is concerned, but protection to the farmers in three particular ways: first, a continuance of the low rail rates which have been in existence for many years and which perhaps have to be compensated for in one way or another somewhere else; I do not want to suggest that they are a subsidy, because I gather that is a nasty word or a nasty suggestion. Nevertheless you would recommend a continuance of the present rail rates; second, a continuance of the freight assistance for feed grains, which I think is in your brief, is it not?

MR. ELLIOTT: It is referred to, but I do not think it is an endorsement necessarily.

THE CHAIRMAN: That is what I wanted to get. That is not an endorsement of that policy?

MR. KROFT: I would say it is neither an endorsement nor otherwise. We bring it to your attention, but as an exchange I do not believe we have any very definite views on it.

THE CHAIRMAN: I see. Then third you recommend relief of some kind to farmers when prices or crops are too low. We have discussed the form of that relief, and I shall not ask any more questions about it.

There are two other points, though, about which I would like to ask in connection with the policy which you are recommending. The first is, in your opinion should all wheat be sold regardless of the

prevailing price? I am not thinking of the present surplus, but in the normal course would you recommend that all wheat be disposed of on the free market until the surplus was disposed of, regardless of price; or should there be any mechanism to slow things up if the price got down too low, or would the market take care of that?

MR. KROFT: I think the free market would take care of that if allowed to operate.

MR. GRAUER: Does that mean there would not be any carryovers, under a free market?

MR. KROFT: No, rather the contrary. In the past we have had both very large and very small carryovers, but the market would tend normally to allow us to carry over about the right quantity of grain; because if we got to the point where the grain in Canada was not sufficient to take care of the, say, Canadian requirements between crops, we would find our market would get so far out of line we could not sell the balance that was left. I think if you looked at the statistics over the last 20 or 25 years you would find that the market did have that effect on carryovers.

THE CHAIRMAN: Those of us who come from the east are quite obviously not too well informed about this very important industry, and we do expect that we will be hearing more about it in Saskatchewan and Alberta, and of course yesterday we heard Mr. Parker of the Manitoba Pool Elevators.

The question I would like to ask

is this. Do you believe it is reasonable to expect, given time and a chance for you to express your views on as many occasions as you care to, that there is a chance of general public acceptance of the policies which you recommend?

MR. LEACH: I certainly do, Mr. Chairman. I will say this, that not only would there be probable acceptance by Canadian citizens as a whole, but I think I would even go further than that and suggest that there is a much greater and growing indication in the farming population of western Canada itself.

THE CHAIRMAN: That is what I really want.

MR. LEACH: I was not going to try to get out by simply saying Canadian citizens as a whole. We feel that our producers -- and I say "our" producers, because you have probably noticed that we are all great kinfolk west of Fort William. They have a certain desire for some security or welfare measures. Perhaps they are a little bit nebulous in their minds; but like any human being, yourself or myself or anybody else, we like to have that kind of peg to hang our hats on, so to speak.

By the same token these individuals have been great free enterprisers in coming out to the west and homesteading and doing quite a job of developing themselves into some very nice economic capitalistic units; and we feel that they would be very responsive to a situation in which they had the opportunity of having their welfare protection expressed in any one of several different forms, plus the availability, if they so chose, of an open market.

Undoubtedly when you get out to Alberta you will find that some very curious things are happening there. There is an open market for grain existing within the provincial boundaries, at disastrously low prices, because of the fact that the provincial boundaries impede the movement of Alberta grain. Undoubtedly Dr. Stewart has heard reference to that up in and around Edmonton, although I believe it is happening more in southern Alberta.

I think that itself indicates a certain desire to sell grain, and there has been a great transition now that it has started. I think we should recognize that 1942 was a vastly different era and situation than we are in today. In 1942 price control was the battle cry across Canada, and certain institutions came into being for the purpose of controlling prices.

Then at the end of the war there was the matter of the distribution of food to a needy world, to a clamouring world, and that was what we call phase 2. During that time our producer probably felt that prices were going up, and that there was no problem in selling grain. It was definitely money in the bank then, and he wanted to feel that on a rising market he was going to get the average of this increase and enhanced value.

Now we are in phase 3, which is a merchandising or a marketing function as far as the Canadian economy is concerned, and a very different thing than existed in the early 1940's.

This time I think the producer, while he likes to have the feeling of some welfare, at the

same time he is desperately anxious to be able to sell grain freely if he can.

So in answer to your original question, we are rather hopeful and feel that there is an opportunity; that perhaps there will be a change in time and there will be more general acceptance in the west of what we propose. But we also hope that some time somebody will come along and ask us what we think about this situation.

MR. GRAUER: One wise man from the east, you mean?

THE CHAIRMAN: One thing we do feel coming from the east to the west is that people do not pussyfoot about their opinions, and that is just wonderful. The only thing is that sometimes the opinions are not exactly unanimous.

MR. LEATH: Neither are horse races.

MR. STEWART: Is there any situation in the world today in any wheat producing country which parallels the sort of conditions which you have in mind? I am simply asking is there a prototype for the system you are suggesting that we can take a look at?

MR. ELLIOTT: I think it would be the deficiency payment system in the United Kingdom, to a degree. I do not think we are complete believers in the deficiency payment system, but the British producer does deliver his wheat at the market price, and when the market is below a certain level he is recompensed by compensatory payments. I am not too sure that my reference to that is a grain exchange

endorsement of that particular policy; but we suggest that there are ways and means which could be explored whereby a supply and demand situation can operate at the tertiary level and still provide some security to the producer at the primary level.

MR. STEWART: I am really seriously trying to see how this might operate. I see great difficulty in devising any system of income support which would not be related to the product under consideration.

Let us take wheat. Suppose we ran into a situation in which the income wheat producers received fell to disastrously low levels, for any reason, in relation to market price. I am wondering if it is possible to make any payment to a wheat producer that does not seem to bear some relation to the fact that he is producing wheat and getting this payment because the price of wheat per bushel is low. Therefore he interprets this as income, as an increase in the price of his product.

In other words, at the moment I cannot see any way of separating a disaster payment or a payment to support income, from the price, in such a way as to avoid that factor.

MR. ELLIOTT: I realize that is a problem. I think, however, that much of the practicability of the scheme would depend on the level at which it might become operative. That is why we are rather intrigued with something in connection with a price insurance scheme.

There is a possibility worth exploration,

which we have not been able to do completely and thoroughly, that a producer might be given some idea of price outlook -- a forward pricing idea -- which might guide him previous to his planting in western Canada. Give him some idea of the price outlook, and perhaps that would remove some of the price uncertainty feature which is of great concern. At the same time, tie in with that some sort of insurance scheme which might permit the producer to participate with the government in the cost at some insurance level -- perhaps something less than the forward price outlook if the forward price outlook seemed more or less normal, and likely to give him a decent return.

I must say we are curious about this sort of thing. We have not developed a plan, but we are suggesting in our brief that this is the sort of thing we should be looking for in the next 25 years, rather than a rigid pricing system which will operate from the primary level and so on into the world markets, where the price might be uneconomic from the standpoint of the importer.

MR. STEWART: I do not know whether you remember, but I remember sitting in on the Stamp hearings, and this was one of the points which he explored, the possibility of an insurance plan. So I have done some off and on thinking about this problem since that time.

That is the difficulty, however, to see some way of dissociating these payments from the fact that the person is producing a particular thing; because

as soon as you make that association, then it is one of the determinants of his production programme.

MR. GUSHUE: Might you have to tie a limitation of production into a picture like that?

MR. ELLIOTT: I think perhaps the insurance feature could not work for unlimited production. Mind you, this is an opinion off the back of the hand, but I should think it would have to work with some reasonable limiting of production, which would refer to the welfare or social security feature to which we referred a moment ago.

MR. KROFT: I do believe this is the only country where the producer pays the whole shot for his own price support.

MR. STEWART: That is true; I think this is the only country in which it can be said that the producer of wheat has not in fact taken money out of the general treasury.

The other thing I have difficulty in following, and I do not want to dispute it with you but you may wish to make further comment on it, is that you have said that you thought the open market could in fact handle the situation.

This I am not sure of, in view of, on the one hand, the extraordinary fluctuations in crops. As the general manager of the Alberta wheat pool said to me the other day, we have had seven and a half crops in the last five years.

I went through the thirties here, and

that does not worry me too much; but that is the sort of situation.

That is one factor. The other is that in no sense of the word is there an open market for wheat, really. Every country is in fact in the business of insulating its own producers from whatever the outside situation may be.

In the light of these two factors I do find it very difficult to see how in fact an open market operation would handle the situation.

MR. LEACH: Mr. Chairman, Dr. Stewart -- I do not know whether he is making us grow older or younger. We were taking a look at ourselves 25 years from now, and here we are 25 years in the past.

MR. STEWART: I do not want to refer to that situation except from this point of view, that leaving out the organization, the market, the physical and economic facts are part of the long-run situation.

MR. KROFT: Well, Dr. Stewart, even assuming that what you suggest is correct, that there is some assistance in every country to the maintenance of wheat prices, nevertheless most countries, and I would say all countries, that have to import wheat to augment their own production, do have a free market. The northern European countries such as Belgium, Holland, and the United Kingdom, certainly shop for wheat in every market they can find, to try to buy that wheat on the best terms possible.

When I say "terms" I am not referring particularly to the present giveaway programme of

the United States, either. But I do feel that in spite of the support in all those countries to their home production, nevertheless they recognize that there is such a thing as a flexible free market in the world for wheat; because I can assure you that Belgium will not pay us one fraction of a cent more for wheat if she can buy the same type of wheat from Russia or the Argentine.

MR. STEWART: But is it true that you can pretty well count the number of bushels which will move in international trade, apart from giveaway programmes?

MR. KROFT: There are large quantities. The United Kingdom market alone I think imports about just under 200 million bushels of wheat.

MR. STEWART: Yes, but if you had a large crop here which was associated with a large world crop generally, and you tried then to increase the amount of grain moving into importing countries, they are going to take care of their producers anyway, and would you not have to take a very substantial drop in price to make any impact on a market such as that?

MR. HICKMAN: There is one factor I do not think we have studied too much, and that is low grade wheat fit only for feed. It is true that the market as far as bread grains are concerned is fairly inactive, but in wheat unfit for human consumption and available for feed, it can be sold in competition with barley and corn and maize and so on; and I think

possibly something could be done there. Mind you, again price is a factor.

MR. GRAUER: Would you say there was a chronic tendency for a surplus? Does the history of wheat show that, or do the surplus years and the lean years tend to average out over a cycle?

MR. LEACH: I would say the latter is correct, namely that they seem to average out. Some years if there is what might be called a little larger than normal carryover, in order to avoid the word "surplus", then in the course of time there will be less than a normal carryover, and there will be quite a scramble for grain.

MR. KROFT: Dr. Stewart referred to the thirties, but he will remember the crops of 1927 and 1928, when we accumulated very large quantities of wheat over comparatively short periods of time. They disappeared quite rapidly when we hit the thirties.

MR. GRAUER: If that is true it seems to me it makes the question of storage much more important. Nobody has mentioned that.

Also there is a further very clear differentiation between this problem and the industrial social security problem, where if you do not use your labour in a given period of time it is gone forever. Here the wheat is not gone; it is going to be consumed at a later time.

That would not be true if there were a chronic tendency toward a surplus. In other words things like advance payments and easier credit arrangements

would seem to have a much more important place if the cycle levelled out between your lean and your fat years than if you had a chronic tendency toward a surplus.

MR. LEACH: I think that used to happen simply through the free interplay of man being his own economist. In years when there was a surplus there was a tendency on the part of farmers to hold grain back on the farms. In good years it was not uncommon for us to have a farmer who would perhaps have half a crop held back, thinking well, maybe next year is going to be the year the drought will catch up with him.

Proceeding one stage further, in years of surplus it was economically worthwhile to store grain. It is a warehouseable commodity, and it would be carried from one year perhaps to the next and it was a good risk, so to do it was economically possible.

Therefore there was a cushioning tendency all along the line, and at the same time this fitted in very well with a free merchandise function of being able at all times, any time a market developed, to get our goods at the time and the place the buyer wanted them, so that very quickly the whole condition was tender or responsive to any change in the world economic picture when suddenly a market for our grain would open up. Oversupplies as such did not disturb us as long as there was an opportunity for the farmer to market his grain if he wished to liquidate some of his production.

THE CHAIRMAN: I would like to return to just one point which we discussed a few minutes ago.

Our job on this commission is to think about the future development of the economy and the important sections of it; and if there are things that impede the normal development I think perhaps it is our job to point them out.

On the other hand there is no use suggesting, even if we came to certain conclusions, policies which would not have general acceptance; because they just would not be accepted.

A little while ago you suggested that you thought there might in time be an acceptance of the idea that for the future there should be a return to a free market for grain. I wonder if you could substantiate that or if it could be substantiated in any way, because already we have heard considerable evidence to the contrary and I would be surprised if we did not continue to hear some evidence to the contrary. So if you are right I think it would be helpful to us if you could document or substantiate your statement in some way.

MR. LEACH: I do not know how well we can document it at the moment, but I am glad you raised the question, because it gives me an opportunity to make certain things clear.

First, when we suggest that there would be an acceptance of a change, we are not proposing an overthrow of the wheat board system. I would suggest, sir, that when you hear the statement that X percentage of the producers are in favour of the wheat board system, perhaps that is a fairly correct statement if it is

applied to there being the wheat board system or no protection at all. We are not suggesting that latter point of no protection at all; not whatever.

THE CHAIRMAN: Yes, you made that clear.

MR. LEACH: We do suggest that there is a growing awareness or a growing willingness to accept a dual system. That is the point we made, and I would be glad to have you keep that in mind in your future travels.

THE CHAIRMAN: Well, thank you very much, Mr. Leach and all of you gentlemen, for coming here and not only giving us your views but also being prepared to answer a number of varied questions from all of us.

---Recess.

---After recess.

THE CHAIRMAN: Well, gentlemen, shall we come to order? Mr. Greene, the honourary treasurer of the Manitoba division of the Community Planning Association of Canada, will present the next submission, and we will mark that presentation Exhibit 32.

MR. GREENE: Mr. Chairman and members of the royal commission on Canada's economic prospects, the Manitoba division of the Community Planning Association of Canada was formed in 1947 with the objective of promoting within this province the prime aim of the association, namely, to develop and to maintain public interest in community planning.

We understand that one of the terms of reference of the commission is to inquire into the requirements of our population, in terms of physical assets such as roads, houses, schools, hospitals. We are taking for granted that members of the commission know that planning these various physical assets, in relation one to the other, is a necessary measure, because uncontrolled or unplanned development must inevitably result in ineffective use of land, with corresponding inconvenience and discomfort to the residents of the community, in some instances, a growth of blighted areas, and in many instances also, increasing costs for municipal services.

As a result of our eight years' experience in endeavouring to further the cause of town planning, we have reached three general conclusions.

1. All cities and towns of any size in Manitoba, except municipalities within the greater Winnipeg area, are in need of technical town planning assistance.

2. A considerable number of municipal officials and citizens in these towns realize the wisdom and necessity of originating and carrying out

a sound and progressive town plan.

3. Unless the government of Manitoba establishes a provincial planning agency to provide technical assistance to these towns, the need for such assistance cannot be met, due to the lack of trained professional planning personnel in private practice in Manitoba.

Our division's first conclusion is borne out by the findings in what is referred to as the Carrothers report, which was a research project established under the sponsorship of the Central Mortgage and Housing Corporation of Canada and the provincial government of Manitoba and carried out under the direction of the University of Manitoba in 1954. This report indicates that --

"Manitoba communities are headed toward the standard pattern of blighted areas and slum conditions. This is becoming more and more evident as the number of towns and municipalities seeking guidance and advice increases; but unfortunately, there is no established form of planning authority to whom they can turn in Manitoba.

"Towns and municipalities are finding themselves encumbered by the lack of zoning, mixed land use, fringe and ribbon development, and by the ever-increasing financial burden of supplying and maintaining essential services."

Our second general conclusion is based on correspondence which our division has had with many municipal officials and citizens, personal interviews with them, editorials or articles published in their towns' weekly newspapers. These interviews, letters and editorials show a positive understanding of the need to plan their towns, and a desire to do something about it.

Our third conclusion is based on the fact that most of the municipalities have not the financial resources available to engage professional planning authorities. From time to time our division has been able, largely through the courtesy of the metropolitan planning commission of greater Winnipeg, to give technical assistance of a limited nature to municipalities which requested this assistance. But in most cases we have been unable to meet such requests, and furthermore we have not been able to refer them to anybody for assistance.

This latter statement points up the lack of qualified planners in private practice or available for municipal positions, not only in Manitoba but throughout Canada. There is a very urgent need for more qualified planners; and this need is, to a very large extent, a direct result of the haphazard growth of our communities which is forcing them to seek the technical knowledge of trained planning personnel, either to rectify past errors and/or to plan for future developments.

We suggest that the following factors merit consideration:

1. In common with most other provinces, rural population in Manitoba has been showing a decrease, with a corresponding increase in population in cities and towns. This increase calls for careful planning of existing facilities and for the future use of urban land.

2. To date there has been a tendency for retired citizens to leave their communities and take up residence in other parts of Canada, sometimes in the United States. It is suggested that if our communities were more attractively planned, these retired citizens would be content to remain in their home towns. We would benefit from the presence of these mature minds, and our smaller communities would attain a better balance in their social structures.

3. We believe that some consideration should be given to the apparent over-concentration of the urban development in certain metropolitan areas. In Manitoba this is exemplified by the concentration of business and industry in the greater Winnipeg area. There appears to be a need for assistance to some of the smaller communities in order that they may provide themselves with the necessary facilities and improvements in amenities which will make them sufficiently attractive to industry and business and to their employees, and thus create a better balance of economic development in the interests of the country as a whole.

4. There is some question as to whether isolated communities, typical of mining developments, are being constructed with a sufficiently permanent

character to create a sound influence on the people who live there and who bring up whole generations of Canadian children in such communities. Care should be taken that such towns are not built on a temporary camp basis with all the inferior characteristics which this generates in the physical facilities of a community and in the resultant attitude of its people toward the place in which they live.

It would appear therefore that, as far as Manitoba is concerned, among the other requirements of an increasing population in our cities and towns are adequate and efficient town plans, and trained personnel to prepare and direct these plans.

We understand that with the exception of Nova Scotia, Manitoba is the only province in Canada which has not a provincial planning office available for the purpose of providing technical assistance to municipalities. It may interest the commission to know that the setting up of such an office was recommended by a special commission appointed by the Manitoba government in 1953 to inquire into provincial-municipal relations. Resolutions urging the creation of a provincial planning office have been passed by the Manitoba Urban Municipal Association and by the Manitoba Chamber of Commerce. Furthermore a resolution urging the Manitoba government to take this step is to be presented at the annual convention of the union of Manitoba municipalities, meeting in Winnipeg next week.

In conclusion the Manitoba division of the Community Planning Association of Canada therefore

respectfully suggests that town planning is a subject which merits the commission's consideration in its task of appraising Canada's future economic prospects.

All of which is respectfully submitted by the Manitoba division of the Community Planning Association of Canada.

THE CHAIRMAN: Thank you, Mr. Greene. In your third suggestion you urge that something should be done to stop the increase in the metropolitan areas. What specifically have you in mind?

MR. GREENE: Largely I would say -- and I am speaking off the cuff -- by the smaller towns attracting industry. Apparently up to date industry to a very large extent seems to come to Winnipeg.

THE CHAIRMAN: Presumably that is because industry finds the climate here attractive, though perhaps that is not a fortunate way to express it. There are certain advantages from industry's standpoint in coming to Winnipeg, as compared to establishing in a small town.

What can be done to overcome that? I am not sure that anything can or should be done.

MR. GREENE: I am not sure that anything can be done.

THE CHAIRMAN: Or should?

MR. GREENE: No. We are merely pointing to the fact that that situation exists. We are not suggesting that there is any remedy for that.

THE CHAIRMAN: Then the next point is

that in talking about these mining towns you suggest that they should be constructed of a sufficiently permanent character to create a sound influence on the people who live there.

The unfortunate thing about these mining towns is that they are unlikely to be permanent in character. It would depend on the length of life of the mine, presumably.

Again I wonder if you have anything specific in mind?

MR. GREENE: Might I ask Mr. Thrift, who is with our association, to comment on that.

MR. THRIFT: I think there have been a number of instances in Canada where mining communities have been developed in which we find the physical circumstances much improved over what we used to find years ago. Obviously in some of these places they have a prospective short life because there is a limit to the ore body, and also obviously that objection is valid. But there is the question of whether or not, in just putting up some housing in which these people must live for a time, this cannot be done in a better fashion than it has been done, where in some places they seem to be kind of tar paper shacks.

I think perhaps this situation is improving, and we should do a little more to encourage it. I believe that is the point.

MR. STEWART: Can you differentiate between some mining towns which are thoughtfully established and some which just grew up like Topsy?

Do you find any explanation of that? Is there any factor which you can detect which seems to contribute to the better type of town?

MR. THRIFT: I think there are a few exceptions, where Central Mortgage and Housing have been involved. We find that Central Mortgage and Housing, through one means or another, have had a great deal to do with improving the condition. Where they have had some influence in building up a town or in its original establishment, we find a much better situation. That is a federal corporation, but that is the case.

MR. STEWART: Would it be invidious to ask if you could name a couple of what you consider to be good, well planned mining towns, and a couple that are not?

MR. THRIFT: I have seen the plans of Terrace. Then there has been some improvement, for example, in the housing at Trail, where some new housing has gone in and some new facilities have been provided. These are perhaps a couple of examples, though I am not a mining town expert.

MR. STEWART: I have been asked from time to time to establish a training programme for town planners at the University of Alberta. What do you consider the nature of a qualified town planner? How do you get him there? Do you want an engineer with some training, or somebody with no engineering training?

MR. THRIFT: Town planners are a mixed

lot. As you may know, there are four courses in the universities in Canada now. At McGill and Toronto graduates in many other fields besides the technical ones of engineering and architecture are admitted to the post-graduate course in planning. In McGill they look for political scientists, lawyers and people of that sort, because many of the early disciplines of their training have a direct bearing on the development of the communities; and as planning staffs expand the need for expert training and knowledge in these fields is very evident.

I should not talk about my own experience. I came from an architectural background; but whether that makes me any better planner than somebody with engineering or law or some of the social sciences, I am not too sure, frankly. While some of the jobs are obviously technical in their aspects, because we get involved in things like subdivision design and must understand utility design, zoning problems and so on, there are many other things once you get involved in statistical analysis and so on that require backgrounds in other fields, and a technical man sometimes can get quite lost in those fields, I assure you. So it is a very broad problem.

THE CHAIRMAN: Well, thank you very much, Mr. Greene.

THE CHAIRMAN: Now, Mr. Thrift, you are going to appear as the representative of the Metropolitan Planning Commission of greater Winnipeg, and we shall file this submission of yours as Exhibit 33.

MR. THRIFT: I am very sorry you were not able to have this earlier. As you will probably appreciate, time is a terrible taskmaster, and that is what has happened to me. As a result this is a submission which I am putting in on my own behalf, for the simple reason that I have not had an opportunity to put it through a meeting of our Metropolitan commission. However, it has been reviewed by our chairman and he is satisfied.

Civilizations throughout the ages have gone into decline when their cities fell into difficulties of various kinds, often through poor management in government, and in the handling of services, and their basic physical requirements. There was too often a lack of adequate husbanding and protection of the conditions or causes which led to their original establishment. Waste, physical and human, usually lay at the core of the trouble.

It may seem to be straying from the points at issue, because we are a young country with young communities and we are likely to suffer growing pains anyhow. But our urban foundations are being laid now and a city is rather more like a human being than like any building which we may build within the city. The city is living, growing, dynamic. What we do with it in its youth it will carry with it into the years to come. It is like a boy whose upbringing in his youth

is reflected throughout his lifetime. And what we do with our cities now will affect our nation's welfare for years to come.

Urban people in Canada are now in the majority. This you have heard before. This is repetition. Urban affairs are therefore a major factor in the economic affairs of the country. The largest concentrations of urban people are in the metropolitan areas where several local governments have jurisdiction. In few cases is there any integration among these several units of government either functionally or administratively.

The economic potential of these areas and their people is vital to Canada, but some of this potential is being squandered by the balkanization of local responsibility. This split responsibility is accompanied by split loyalties and almost always by economic rivalry within a unit that should and would, under logical circumstances, act as one. Responsibility is also ill distributed thus further emphasizing the rivalries and a narrow outlook on civic problems. These are in effect rifts in the urban family of a kind that no family could long survive. The isolation-like outlook created in these circumstances, moreover, spreads to all of the basic activities of communities and the people in them, their work, social life, business activity, their economic development and the like.

The isolation of outlook and the unrealistic division of responsibility is largely created by the pattern of municipal areas and governments in the larger urban centres. Local loyalties and isolationist thinking

have built up to such an extent in some areas that co-ordination of action and the formulation of a common viewpoint on matters of common interest are extremely difficult to bring about. Canada, however, needs to encourage interest in and the development of a broader metropolitan outlook and it may well be encouraged from the national level in the national interest. Municipal governments and local groups need encouragement and even help to carry out studies and pull together the interests involved. They need help in clarifying the nature of metropolitan problems and in pointing up the vital importance of the metropolitan areas.

Local loyalties are good when they apply to affairs related purely to the immediate locality. There is, however, a need for a wider basis for responsibility in local governments. The affairs and problems of the metropolitan areas as a whole need the exercise of the combined public opinion of the whole area for effective management. Many aspects of the economic life of these communities are metropolitan in scope and significance. There is need for some community responsibility to be established at the metropolitan level so that the importance of the metropolitan nature of many businesses and industries can be clearly appreciated and a basis established for public understanding and action.

In some respects the principles of democracy are being violated unwittingly in metropolitan areas when matters of concern to the whole metropolitan area are decided by the population of a small part, or the interests

of one district are set to nought by the action of a small group in another.

Local governments are created by the provincial governments and only have legal connection with the federal government through the provincial channel. Provincial governments have not generally made urban problems one of their most important considerations. That is a broad statement; but generally speaking, while they have concerned themselves seriously with urban problems in some instances, this is not a continuing thing. That is the point I am trying to make. They are not frequently concerned with the pattern of the municipal units, a pattern established in most cases many years ago. It is in this pattern of many years ago that cities find themselves today. Urban growth, however, has gone beyond the original city and municipal boundaries. The old pattern no longer fits.

In the early days of the century the limits of many cities were extended frequently to keep abreast of urban growth. In latter years, however, this trend has almost stopped altogether and separate municipal and civic governments have sprung up around the city's perimeter. Because they were generally patterned on the form of local government necessary to govern the local affairs of a rural community some of these outside governments find themselves ill-fitted to cope with the spreading and ever more complicated problems of governing major urban areas. The kinds of problems with which they must deal and

the responsibilities thrust upon them are far beyond those for which these local governments were designed.

In some cases and for some services the provincial government and sometimes the federal government has proffered some specific form of help -- education grants or assistance, health grants, housing aids and the like where the difficulties became too obvious to ignore and the problem was beyond the effective scope of local government.

At the same time, policies and actions of the provincial and federal governments affect development in urban areas of the country. For example, the location of major provincial or federal agencies, the development of public works and so on, alter the city or the town. The control measures of provincial legislation and the standards required for obtaining proffered assistance through provincial or federal agencies, directly affect the nature of development in urban areas.

New forms of government such as metropolitan councils, or new agencies of provincial or federal government, will not necessarily alone solve the problems of how to organize most effectively to govern these areas. Study initiated by the federal government appears necessary to look into government organization, areas of jurisdiction, functions, relationships among governments and government agencies and methods for dealing with, and where necessary, changing basic arrangements which must be changed because of the dynamic nature of the structures with which they deal.

The federal government is in the most

effective position to lead in the consideration of the complicated urban problems of Canada -- city, town, municipal, metropolitan -- and to start by defining clearly the relationships between federal departments, agencies, corporations and the like and local governments and local government areas.

The operating agencies of the federal government may well be brought together to consider the effects of their activities on the country's urban communities. At regular intervals federal, provincial and local representatives could join together to assess their common problems, objectives and the most effective means for dealing with them.

At the local level in the metropolitan areas, study may indicate that some form of metropolitan organization is essential, as this brief attempts to point out. If this is the case any such scheme for a metropolitan system must take into account the differences in need for municipal services in various parts of the area as well as the fear of the suburban taxpayer that integration will increase his tax burden. Differential tax areas once fixed in statutes or charters may be difficult to modify as the growth of the metropolitan area changes their character. The problem of differential tax rates and varying needs for municipal services is one of the factors that make some form of federated or borough type of metropolitan government attractive.

The national resources committee of the United States made a study of urban areas and published a report in 1937 entitled "Our Cities -- Their Role In The National Economy". This is an excellent report.

Unfortunately, it was followed closely by world war II and no further study was made. Such a study should be carried out at specified regular intervals. It is not suggested that this is a model to be followed but is merely an indication of the kind of investigation which may prove of great help to the country if carried out at reasonable intervals.

All of these considerations are important to the economic welfare of the major urban communities of this country. It is therefore suggested that the federal government initiate a study of urban problems from the standpoint of determining their importance in the economic welfare of Canada. There should also be some method established for maintaining such study on a regular basis.

That, Mr. Chairman, may seem as though it is suggesting that somebody else should do part of the job you are probably assigned to do. The only point I was thinking of there is that sometimes we do this sort of thing and all too often it goes on the shelf. We pay some attention to it or do something as a result of it, but more often than that we need to keep our fingers on it so that when it needs to be reviewed or redone or reassessed we are in a position to do it, and we do not have to go through the whole process again to get everything put back together to do it.

THE CHAIRMAN: You suggest on several occasions that the federal government should take a lead in these matters. You also point out that local

governments are created by the provincial governments; that they are their creatures. There are certainly some people in the country who would think that the federal government has enough on its hands as it is. Do you seriously suggest that they should take on the problem right across Canada, including all provinces, and interest themselves in the problems of the municipal and city organizations?

MR. THRIFT: Obviously they could not be expected to look into all the problems of all levels of municipal government. As you say quite rightly, this is something that really belongs to the local governments and the provincial governments.

What I am trying to get at is that there are basic economic problems in the organization of our main urban centres which go beyond the influence of the local government or of the province, and it is at that level that I think the federal government has interest and therefore might have something to do --

THE CHAIRMAN: They might have an interest, but do you think they would be welcome if they moved in?

MR. THRIFT: It is a matter of providing the means whereby some of these things can be studied and sorted out, rather than saying what should be done. Already federal government action has some influence and effect on urban development through assistance provided in one way and another, particularly for example, as I mentioned before, through Central Mortgage and Housing, which is a federal body. What Central Mortgage and Housing does very often has a very positive

effect on development in the urban areas.

THE CHAIRMAN: Are you suggesting that the federal government should go further than that? I agree that Central Mortgage and Housing can certainly influence things.

MR. GRAUER: What is the sort of problem you had in mind in which the federal government could do better than the provincial government?

MR. THRIFT: Well, perhaps it is a little akin to the job which the national resources committee did in the United States. That was a national body established by the federal government which assessed the economic value of the major communities in the country. Without going back to the report, they tried to assess their importance in the economic development of the country as a whole, and to point out where federal policy may have some value in improving the situation in those major urban centres so that the country as a whole would benefit from better development, which could be encouraged by federal action which was beyond the scope of the local or state authorities.

I do not like to borrow too much from the United States, but that was an example. It seems to me it is a valuable idea. Our major urban centres are not things that can be isolated in their individual provinces, it seems to me.

THE CHAIRMAN: Why cannot Winnipeg be considered by the people who live in this part of the country?

MR. THRIFT: Many of the problems have to be, yes; but I think its significance in the national picture is of some concern too. Perhaps that applies to a greater extent to other cities such as Toronto, Montreal, Vancouver, Halifax and so on. They are obviously national centres, the great ports and the great industrial centres. They happen to fall into particular provinces, but they are national centres.

THE CHAIRMAN: There are some people in Toronto, I imagine, who would not want the federal government to interfere too much in the way they manage or mismanage their affairs, planning or otherwise.

MR. THRIFT: I quite agree with you, and I was not intending that the federal government would interfere, but would merely view the picture and get it more clearly defined and sketched out, so everybody who was concerned could see it at the time; not to tell them what to do but to get the picture clearer.

MR. GRAUER: Are any of these other provinces, except Nova Scotia and Manitoba, getting the sort of legislation which you would regard as reasonably good?

MR. THRIFT: Legislation on planning in Canada varies a great deal from province to province. Some of the legislation is doing a reasonably good job. Some of the legislation is good in some respects and lacking in others. Some years ago there were two reports prepared -- really one report and a

condensation of it -- under the auspices of the Community Planning Association, trying to analyze the differences in the legislation across the country; and the variation is surprising.

THE CHAIRMAN: Well, thank you very much, Mr. Thrift. We shall adjourn now until tomorrow morning at 10 o'clock.

---At 4.50 p. m. the commission
adjourned.

Wednesday, November 16,

The commission resumed at 10 a. m.

Appearances:

Mr. J. H. Chipperfield, president;

Mr. R. E. Moffatt, advocate;

Mr. J. T. Mills;

Mr. H. L. Henderson,

Manitoba Urban Association

THE CHAIRMAN: May we come to order? The submission this morning is from the Manitoba Urban Association, and we will label it as Exhibit 34. Mr. Moffatt, you are appearing?

MR. MOFFATT: Mr. Chairman, by way of introduction to this submission I might say that Mayor Chipperfield of Minnedosa, who is president of the Manitoba Urban Association, is the person who has signed this brief and who presents it. He is driving in this morning from Minnedosa, and because of the condition of the roads has not yet arrived. He may be in almost any minute, but at your suggestion I am prepared to make the brief available for discussion.

Mayor Chipperfield expected to be accompanied by Mayor Coughlin of Morden and by Councillor Mills of the village of Dunnotar. Neither has as yet made the grade. Again I think that the explanation is the road conditions this morning.

THE CHAIRMAN: Well, Mr. Moffatt, in view of the road conditions I presume it is conceivable that they could be held up for quite some time.

MR. MOFFATT: It is possible. I have left messages for them to come in as soon as anybody establishes contact with them.

THE CHAIRMAN: Do you think under those circumstances perhaps the most appropriate procedure would be for you to start presenting this brief on their behalf, and if they are able to get here we can do it over again or we can ask them questions or they can deal with it as they wish. In case they do not make it I think it would be useful if it was presented and we had an opportunity to hear it.

MR. MOFFATT: I think it would be quite in order to read the brief into the record and hold any questions until they arrive. I understand you have some others coming after this.

THE CHAIRMAN: No, this is the only one.

MR. MOFFATT: If they have arrived by the time I have finished reading it, I suggest you ask them the questions. If not, I shall do what I can to help out on anything you wish to know. I have discussed the matter with them to a considerable extent in preparing the draft.

THE CHAIRMAN: Let us cross that bridge when we come to it. If they are not here we can ask the questions and if they do not agree with your answers perhaps they can write us.

MR. MOFFATT: Very well.

The Manitoba Urban Association is a body

incorporated by statute of the province of Manitoba representing the incorporated cities, towns, villages and suburban municipalities of Manitoba. It holds conferences from time to time, at least twice each year, at which questions of mutual interest are discussed and in the interval between conventions its affairs are conducted by an executive committee who are elected mayors, aldermen or councillors of member municipalities. Its purpose is to advance the interests of the urban municipalities of the province in any matter of public importance which arises. Its chief activities are in the exchange of information and administrative experience among its members and with other organizations concerned with municipal government and in the discussions which it holds with the provincial government regarding policies to be adopted concerning urban government in the province. From time to time it takes action to express the concern of the urban municipalities in other matters.

In appearing before your commission, the Manitoba Urban Association is seeking to act as spokesman for the smaller incorporated urban communities of the province.

The urban communities of Manitoba have a long history going back in some cases to a date before the province was created. But since its creation in 1870 Manitoba has always been primarily an agricultural province. Its one large metropolitan area now contains a large proportion of the population of the province and is a thoroughly urban community. It has in Brandon one other city of about 20,000 population. A large

area of the north of the province is very thinly settled except for the town of Flin Flon, and the population of the north is almost exclusively engaged in mining although there is some trapping, fishing and lumbering. The balance of the province is a highly successful agricultural area containing a considerable number of relatively small urban centres:

The total population of Manitoba at the 1951 census was 776,541 and the most recent estimate is 828,000. Of the present population over 50 per cent is located in metropolitan Winnipeg and Brandon and Flin Flon. The balance is divided about equally between families living on farms and families living in smaller urban communities. During the last half century, the story of the changes in the population of the province has been:

	<u>RURAL</u>	<u>URBAN</u>	<u>TOTAL</u>
1911	261,029	200,365	461,394
1921	348,502	261,616	610,118
1931	384,170	315,969	700,139
1941	407,871	321,873	729,744
1951	392,112	384,429	776,541

In the 20 years from 1911 to 1931 rural population increased 123,000 and urban population increased 116,000. But in the 20 years 1931 to 1951 the rural increase was only 8,000 compared to 68,000 increase in urban centres. The rural population declined significantly during and after the second war.

The term "rural" as used in this census tabulation includes many persons living in unincorporated village communities. In 1951 for the first time the census

reported the number of persons living on farms. The figure was 214,435. It is significant that the population of metropolitan Winnipeg from the same report is given as 354,069 with another 20,598 living in Brandon. If one adds together the number living on farms and the number in Brandon and greater Winnipeg, one is left with only 187,439 in all the smaller urban communities.

It is clear that the concentration in greater Winnipeg is heavier now than it was in 1951.

This distribution of population is quite different from the pattern in eastern Canada. In the eastern provinces a number of urban centres had developed to a considerable size many years ago and for the whole of the twentieth century the people of eastern Canada have been living in communities of varying sizes with a gradual transition from small to medium to large to very large urban centres as population increased and settlement spread out from the original centres located at the harbour towns and along the main river transportation routes.

Manitoba and the other prairie provinces were settled on the basis of rail transport newly introduced over the whole settled area within a very few years. Consequently, almost all towns were founded in the 20 years between 1880 and 1900 and at the turn of the century all the towns were of about the same size and of about the same structure.

The other gentlemen have arrived now, and they suggest that I continue with the reading and

they will answer any questions.

THE CHAIRMAN: Very well.

MR. MOFFATT: I may say for the record that Mayor Henderson of Portage la Prairie is here also, in addition to the names I mentioned earlier.

The first pattern of this settlement and of the local government units outside Winnipeg and Brandon was established upon the basis of farming operations dependent entirely upon horsepower and upon the basis that the local community consisted of the area which could be conveniently reached by horse and buggy or by team and wagon. The farms were seldom large and the typical farm was occupied by a farm family together with two or three hired hands. The typical rural village was located about six or seven miles from its neighbour so that few farms were more than three or four miles from a village. The typical rural municipality was, and still is, about 12 or 18 miles wide and 18 or at most 24 miles long. Within these rural municipalities urban centres were later incorporated separately as villages or towns with separate administration and separate elected councils. The typical school district supported a one-room rural school serving an area about four or five miles square.

With development of mechanized agriculture and transport, the farms became larger and depended to a much smaller extent upon hand labour so that today over much of the province the typical farm is operated by the farm family alone with only occasional hired help in busy seasons. At the present time in some areas a

number of the farms are operated by men who commute regularly from the nearby villages and whose families live permanently in the urban centres. There is much to be said for this from the social point of view but it means extra services in urban communities.

Two results have flowed from this new mobility of the population of our rural communities.

In the first place it has had a profound effect upon the smaller urban centres in their functions as business and social centres for the farming community. As already mentioned, the original pattern of settlement in the province was one consisting of a large number of villages of about equal size spaced at intervals of every six or seven miles. These served as shipping centres for farm grains, as receiving centres for farm supplies and as social centres at which were located churches, skating rinks, baseball parks and community halls. In the earlier stages of mechanization, they were the centres for machinery purchases and repairs and for automobile purchases and repairs.

As mechanization proceeded, however, and particularly as highways improved and automobile and truck transport became almost universal, the role of the local urban community altered sharply. It still retained its place as a shipping centre for grain and a receiving centre for heavier supplies such as coal and lumber. But it no longer remained the sole social centre and the sole centre for shopping and for repairs to automobiles and farm machinery. A new pattern can be seen emerging in many parts of the province. In the

new pattern one town has become the centre for an area of 20 or 25 miles and to it have gravitated the movie theatres, the larger grocery stores, the larger baseball tournaments and curling bonspiels and the main dance halls. In it the automobile and farm machinery dealers maintain a more complete stock of parts and repairs. The surrounding towns, however, find their local businesses declining, their young people travelling to the larger centre for amusement and recreation and their farmers falling into the habit of dealing in the larger centre.

It appears to us that this is an inevitable consequence of more rapid transport. We make no comment as to whether this is a favourable development or an unfavourable one. The point we wish to make is that this change is occurring and will continue so that our people must consider the adjustment made necessary by it. Originally the community centre was located a distance of about one hour's drive from the most distant farm within its orbit. In an age of horse transport this meant four or five miles. The community centre still serves an area bounded by one hour's driving time but under modern conditions this means 20 or 25 miles. The new pattern, therefore, finds a number of larger towns spaced at intervals of about 20 or 25 miles. These towns are growing fairly rapidly while the other small centres are showing little growth in population and in many cases are actually declining in volume of business done. At the same time greater Winnipeg and Brandon are growing rapidly.

The transportation system which serves

the province clearly shows the effect of these changes. The original pattern dependent on rail transport was one in which almost all lines radiated from Winnipeg. A glance at a railway map will reveal the extent to which this was true. The smaller centres almost all received their supplies from Winnipeg and depended upon rail services which were relatively equal for the simple reason that a train moving along a particular railway line would stop at all the stations on the line. The new pattern depends on truck transport except for heavy commodities such as grain, coal and lumber. Each community has its own trucking service and relatively few truckers serve more than a few neighbouring towns. Consequently, a town of some size can get more frequent trucking service than its smaller neighbour. Furthermore, the trucker is not confined to a railway right of way but can run north and south as well as parallel to the railway lines. The railways themselves have recognized this change by establishing their own truck services operating outward from centres like Brandon into the surrounding towns which have no direct rail connection with Brandon.

The second result which has flowed from the new mobility of population is that the residents of our rural areas and our larger villages and towns are demanding urban living conditions. They are demanding the same standards of municipal services which are enjoyed by the cities. They want the same type of high school facilities. They want also to have available recreation and amusement facilities of the type available in the cities. They want

modern medical and dental services. Sewer and water services in particular are in keen demand and our members are convinced that if they are to hold their own against the attractions of the cities, these must be provided at an early date.

A few towns in Manitoba installed sewer and water facilities many years ago. In the last five years a number of other towns have installed systems and still others are currently endeavouring to proceed with a sewer and water project.

The cost of sewer and water services under present circumstances is very high. The result is that the towns with new facilities are most anxious to increase their population and the amount of industry located in them since that would spread the cost over a wider base. Towns which have not yet installed these systems are finding the cost of sewer and water services almost prohibitive if they are to be paid for out of taxes levied on the tax base now available.

These towns, therefore, face a double problem. They cannot attract new residents and new industries until they can provide better facilities. They cannot pay for better facilities until they attract new residents and new industries.

The Manitoba Urban Association wishes to bring before you the difficult situation facing the towns and villages and to urge that in preparing your report you endeavour to make suggestions which will meet it. If nothing is done to reverse the present trend it is inevitable that further improvements

in transportation will lead to greater and greater centralization in the larger centres.

As already mentioned we feel that the dilemma is two-sided; new facilities are necessary to attract new industries and population, and new industries and population are necessary to support new facilities. We therefore propose that there should be a two-sided attack on it:

1. We think that senior governments, either provincial or federal or both jointly, must accept a measure of responsibility for preparing plans, standardizing specifications and obtaining capital funds to assist in the provision of sewer and water facilities. Much duplication of expense could be avoided if one group of engineers could prepare plans for several communities and yet it seems impossible to make such arrangements except under the sponsorship of a central government. A single town or village is in a very poor position to get proper engineering advice on such a project. A single town or village has a major problem to sell a bond issue of sufficient size to finance such a project even at high interest rates. But we feel that a joint arrangement sponsored and guaranteed by the province or the federal government could obtain a top-flight engineering staff and would have little difficulty in obtaining funds at much more favourable rates. Furthermore, such a scheme would be in a much better position to manage the sinking funds involved and the other details required.

We wish to be clear that we are not

asking a subsidy in this regard. We are strongly convinced that the scheme could be self-liquidating and we believe that each community should pay the cost of its own installations. What we are advocating is that the credit rating of the towns and villages concerned should be pooled and should be strengthened by a guarantee from the senior governments to make possible lower interest rates and easier repayment terms.

If these facilities can be made available, the towns and villages will be in a stronger position to meet their expenses. Thus a joint arrangement to assist the villages and towns would quickly lead to a further strengthening of their credit rating so that they would be better able to carry on by themselves.

The Municipal Improvements Assistance Act passed by the federal government in 1938 was apparently designed to provide for financial facilities of this very type in an effort to assist in providing work during periods of unemployment. It has been used to assist a number of municipalities in this province but, so far as we are aware, no loans have been approved under it for several years. It is, however, clear evidence that the federal government recognizes a responsibility to assist in this field. We are aware also that the facilities of the National Housing Act are made available through Central Housing and Mortgage Corporation to assist in the financing of sewer and water facilities under certain circumstances. This again is evidence of federal acceptance of responsibility

in this field.

We are not in a position to suggest the details of any scheme of federal or provincial participation in the planning or financing of sewer and water facilities in towns and villages. We strongly urge, however, that you should recommend that the Municipal Improvements Assistance Act should be reactivated and amended to bring it up to date by broadening its application and increasing the size of the loans available to make them more realistic in the light of the present level of prices and costs. Since these projects are to be self-liquidating, we see no reason why loans under this act should be restricted to projects designed to provide employment in times of depression.

Arrangements of this type should be co-ordinated with joint financial and engineering arrangements so that the two approaches would mutually supplement each other in assisting the towns and villages to secure and pay for modern facilities.

2. The history of eastern Canada suggests to us that the smaller urban centres are best able to thrive in an area which has a total population density much greater than that of Manitoba at the present time. This in itself points to the desirability of more population for Manitoba. In addition, our excellent resources for the production and processing of foods make it clear that this province could support a considerably larger population. We would, therefore, like to see you recommend steps to encourage more Canadians to take up residence in this province and

to encourage immigrants from other lands to settle there. We think special emphasis should be directed to plans to encourage settlement outside the larger cities and to discourage the movement into the cities from the smaller communities.

3. We think that senior governments either provincial or federal, or both jointly, should take steps to disperse industry more widely, both as between eastern Canada and the prairies and as between the larger centres and the smaller centres of this province. We know this is desirable from the viewpoint of national defence and we believe it is good also from its social, economic and political consequences. We do not think it is necessary to recite in detail the reasons for this belief, but we are sure that your commission will agree that socially, economically and politically, Canada will encounter difficulties if eastern Canada continues its present direction of growth toward a society almost exclusively industrial and urban while in the prairies industrial growth is much slower. We believe the difficulties of Manitoba will be further aggravated if the industrial growth which does occur here is concentrated almost entirely in one or two large cities. If that happens it will be very difficult for the small declining urban centres to escape the feeling they have been sacrificed to the growth of industry in eastern Canada and in the larger western cities.

The rural electrification programme in Manitoba is almost completed and under it every urban

community now has a reliable supply of electric power at reasonable rates. Thus one of the first essentials for industrial decentralization has been taken care of. Another essential is the installation of sewer and water facilities to service the industries themselves and also the homes of the employees. We have already expressed our ideas on that subject.

Another step must be to make available to prospective industries the information which they require concerning operating conditions in the smaller centres. This would involve information concerning availability of raw materials, supply of labour both skilled and unskilled, transportation facilities and rates, and potential markets. The Manitoba Department of Industry and Commerce is doing good work in this field and we commend them for their efforts and hope they will be continued in the future. We are not aware that the federal government is making corresponding efforts to spread industry into the prairie provinces and into the smaller centres.

The provision of a reliable supply of natural gas at reasonable rates would be another step in the direction of decentralization. We have noted that wherever natural gas pipe lines exist there is a tendency for industry of different kinds to grow up using gas from the pipe line as a source of heat or as a chemical component. Manitoba looks forward to the day when gas will be available here in quantities, but we have been disappointed at the lack of progress in the planning, financing and construction of a gas pipe

line from Alberta. We hope your commission will be able to recommend specific measures to hasten the day when natural gas will be available in this province.

Transportation costs have always been an important handicap to industries in Manitoba which must bring in supplies from the east and ship the finished product to eastern markets. High railway rates can be offset to some extent by using truck facilities but we feel that a reasonable level of transportation charges is essential to the development of new industries in the towns and villages of this province. We therefore urge that you should recommend measures to protect our industries against freight charges which would make their operation uneconomic.

Thus far we have dealt with the basic services and the sources of fuel and power available to industries in the villages and towns of Manitoba. We turn now to a discussion of the nature of the industries which might be attracted. Some of these industries will produce goods for sale to local consumers and this type of industry is likely to grow up more or less spontaneously if population is large enough and if basic services are available. A different type of industry, however, is that directed to the processing of farm products. It is our feeling that this type of industry could be materially stimulated if an active programme of research and development were undertaken including the testing of new processes and the construction of pilot plants. Such processing must of necessity begin

on a small scale but must grow out of the resources and "know-how" of a large organization.

The smaller urban communities of Manitoba, close to agricultural raw material and to adequate water supplies, are admirably suited for the operation of testing plants and for small scale commercial operations in this field. But they could never hope to achieve success in it unless they had behind them the strength and experience of a large scientific development organization.

Our suggestion in this regard is that the federal government might undertake the basic research for such projects either through the National Research Council or through some other body and might take steps to see that operations on a pilot plant basis or on a small scale commercial basis, were located in the towns and villages rather than the large cities.

These suggestions are not exhaustive, but it is hoped that they indicate a line of approach which can be further developed. In brief, our hope is that your report will oppose the centralization of industry in the larger cities of eastern Canada, and will recommend more active steps by the federal government to counteract this trend.

Respectfully submitted by the Manitoba Urban Association.

MR. CHIPPERFIELD: Mr. Chairman and gentlemen, first of all I would like to apologize for being late in getting here this morning. I was

under the impression that there was another brief to be presented ahead of ours, and I thought it would be 11 o'clock or so before you would be ready for us.

The members of our association are just a little bit perturbed at the lack of development in Manitoba in regard to the expansion of our population. We hear about Ontario's population increasing a million and a quarter in the last 10 years, whereas the total population of Manitoba today is just slightly over 800,000.

The main reason for the expansion of population in eastern Canada I believe is their industrial development, and I think that is very important for us in Manitoba. If we could get some industries in here, population naturally follows employment. I think that is one of the main purposes of our brief, to try to bring home to both the provincial and the federal governments the necessity of decentralizing industry to try to bolster the economy of our smaller centres.

THE CHAIRMAN: I expect that we all have some questions to ask, but perhaps I might begin. At the bottom of page 5 you state:

"If nothing is done to reverse the present trend it is inevitable that further improvements in transportation will lead to greater and greater centralization in the larger centres."

I suppose that is true, to begin with.

On the other hand, it is a tendency that applies not only in Manitoba; it applies in many other places, this apparent urge of people to move to the cities. We may deplore it, but I am not too clear on what we can do about it.

You suggest that if the facilities of the smaller towns were improved, people would stay there. I wonder if you have any suggestions or any ideas of the increased costs that would be involved in providing those sort of services in the smaller communities, and whether you really think that would do the trick or whether people would not decide to move into Winnipeg anyway.

MR. CHIPPERFIELD: I would say the provision of water and sewers has quite a big bearing on keeping people in the smaller towns. As we all know, people travel around a lot today, and they get into other places. Young lads go into the forces and they see modern conveniences, so they are not going to stay in the smaller towns which cannot provide them.

It is understandable that this problem cannot be taken on in too small a community. I think possibly the minimum would be a village of 700 or 800. Below that point it would not be possible or economical. The cost of the installation again would vary, depending on the terrain of the town and the size of the town. I believe probably the cost would run between \$200,000 and \$350,000, somewhere in that neighbourhood, which is a lot of money.

We all realize that, but some of these smaller towns are going to have to provide these facilities, or they are going to fade out of the picture.

THE CHAIRMAN: In suggesting how that sort of thing might be handled, on page 6 you suggest that the money might be raised by the federal or provincial government, I suppose, whose credit is more extensive and which is therefore in a position to raise money more easily and more economically. That surely would be a provincial responsibility rather than a federal responsibility, would it not?

MR. CHIPPERFIELD: Well, Mr. Chairman, under the terms of the Municipal Improvements Assistance Act the bonds were guaranteed by the provincial government but the money was loaned by the federal government.

THE CHAIRMAN: But was that not done at a time when the credit of some provincial governments had suffered because of the depression, and perhaps that form of federal assistance may have been more necessary then, when that act was being used, than it would be now, some 15 or 16 years later?

MR. CHIPPERFIELD: Well, sir, I think it is still necessary, because particularly in the west here a lot of the small towns are not known to the financial houses or investment people in eastern Canada, or to the insurance companies.

THE CHAIRMAN: But surely the province is known?

MR. CHIPPERFIELD: That is what I suggest,

that the province should guarantee the debentures, and then they would be sold much more readily. What we are up against in the smaller towns in selling debentures is that they are not known to the investment people in eastern Canada.

THE CHAIRMAN: But could you not sell these debenture issues with a provincial guarantee?

MR. CHIPPERFIELD: With a provincial guarantee it would definitely help quite a bit, but at the present time we do not have that.

THE CHAIRMAN: That is what I am getting at; that if some senior government is to become involved, would it not be natural to expect that it would be the provincial government rather than the federal government?

MR. CHIPPERFIELD: That might be the case. I believe the federal government probably gets a little lower interest rate.

THE CHAIRMAN: I raised that question because a good many people in the country seem to think that the federal government is into enough things, and that some of these very desirable measures should be tackled by the provincial authorities rather than by the federal authority. I just want to get your view as to really what you think about it.

MR. HENDERSON: Surely the health and welfare of the people could be considered as a major responsibility of the federal authority. What we are proposing, or at least one of the things, is the provision of water and sewer facilities, which concern not only the economic development of a community but

also the health of the people. If a provincial government will not provide the funds or will not make provision for them, the only other party to whom we can turn would be the federal government.

THE CHAIRMAN: I wonder if you would not turn first to the provincial authority?

MR. HENDERSON: Well, we have only two teats, and we have turned to both of them there.

MR. GRAUER: Is there not a constitutional question involved here, on top of the question of social policy that has just been discussed? This matter of sewers and water systems is a purely local undertaking, and I would think if the federal government tried to get into that field some of the provincial governments would object very strenuously, and some private parties might object also. This act you refer to, the Municipal Improvements Assistance Act, was for the purpose of tackling unemployment, was it not?

MR. CHIPPERFIELD: That is correct.

MR. GRAUER: That is probably why it has not been invoked since the days when unemployment was more serious. If that is true; if there is a constitutional question, it makes the position of a commission like this pretty difficult on that sort of subject, because if you have to practically recommend that the constitution be changed, I think we all recognize how difficult that is. So if there is a possible alternative approach it is worth exploring very fully.

MR. HENDERSON: As I understand the terms of reference of the commission, it certainly would be able to go that far, with respect even to constitutional changes. It is my personal opinion that that is probably a basic means of approach; that is, what I may term a rewriting of confederation. It seems to me we do need a completely new approach to the whole economic picture in Canada. If we are going to attack it from the standpoint of 10 provinces, we are never going to get a Canada which will take its proper place in the world.

MR. GRAUER: Even if it were to be recommended, it is a question whether a constitutional change would be accepted. However, I think perhaps it is going a little far to suggest that if the federal government will not guarantee funds for sewers and water systems, confederation will not work. There are perhaps alternative ways of getting at that problem, and the one readily apparent is the provincial governments. If they wish they may approach Ottawa to work out some scheme of financial assistance, but that is a different proposition. They may ask the federal government to do something, and it may be willing to do it. But I imagine some of the provinces would deny that seeing that their towns had water and sewage systems was beyond their competence.

MR. HENDERSON: I think the gist of this brief is to the effect that we are not asking the federal government to get into the water and sewer business. Rather we are suggesting that they set up the engineering

skills in co-operation with the provinces, and try to make the funds available. The province would still guarantee the funds. We are not asking the federal government to jump in.

MR. GRAUER: There is an interesting point that arises there, I think, and this discussion is just for the purpose of drawing out what you think.

In the hearings so far it is surprising how often the federal government is referred to, in any sort of problem, as being the only solution. It leads one to wonder if the people who are asking for the federal government to come in, in almost any given field, realize what sort of role the federal government would have if representations in all these particular fields were put together. We certainly would have an extremely strong central government, which would be in on practically everything.

MR. HENDERSON: I do not think that is in the mind of any of the members of our association.

MR. CHIPPERFIELD: It was chiefly in financial assistance, seeing to it that the municipalities can get the money they need without paying too high an interest rate.

MR. GRAUER: But on that point I suppose you realize that if the central government were to guarantee everything, its cost of financing would be bound to go up. One of the reasons the federal government is able to get low interest rates is that its credit is very good. The federal debt has been going down on a per capita basis, or at the very

least has remained stationary.

I am just suggesting that the situation might very well change if a host of other demands were put upon the federal credit. That has to be taken into account too.

MR. HENDERSON: On the other hand the federal government, through the Bank of Canada, controls interest rates, and consequently they can pretty well set their own interest rate. They do change it according to economic fluctuations.

MR. GRAUER: Yes, but it has to be according to economic fluctuations, and you cannot use that device for other purposes such as providing sewers and water. You cannot be doing both at the same time, except by coincidence.

For instance, in times of unemployment the federal government was willing to do certain things, as you point out, but that was because the economy needed stimulation at that time. If you were to do the same thing at a time when there was full employment and an expanding economy, of course then you would create an inflationary position. So you cannot use the credit device for every purpose. If ironing out fluctuations is the most important thing, then that has to be the most important consideration in the use of that device.

MR. HENDERSON: On the other hand I think this brief suggests a couple of things. One is the paralyzing of the growth of the smaller towns and villages by the centralization of population.

If that trend is going to be stopped, and it would seem to me that is a very necessary move on the part of somebody -- if it is not the federal authority, it must be somebody else -- that centralization must be at least slowed down; and further, if you are going to have the centralization you are going to have more unemployment in the smaller communities. At the present moment we are experiencing that.

MR. GRAUER: I was interested in that point in your brief. As I understand it, there are two problems. First you point out that the smaller towns, in the sense of one every 20 or 25 miles, were growing. You said you had no opinion on that; that transportation caused that trend, and there was not much use in going against the tide. I rather gathered that was how you felt.

Is that the type of town you thought would be from 700 or 800 and on up to what size?

MR. CHIPPERFIELD: From 500 or 600 up to 1,000, say.

MR. GRAUER: In that type of town your problem was to get credit facilities for your sewers and water, was it not?

MR. CHIPPERFIELD: Not necessarily only those towns. Some of the towns are a little bigger.

MR. GRAUER: But apparently that is the type of town that is growing in Manitoba. Then in the latter part of your brief you went on to the bigger cities, what you might call the metropolitan areas, and suggested that with respect to the flow

of population to those areas some overt act should be taken to reverse the trend. So you rather change your ground there and I take it that you are in favour of the smaller cities but against the larger ones?

MR. CHIPPERFIELD: Not necessarily against them, but we feel that it is in the interests of the economy of the province to have the people a little more dispersed than they are.

MR. GRAUER: I was just wondering why you felt you could not oppose the changes causing the growth of the smaller cities, but felt you could do so with respect to the growth of the metropolitan areas. Were there any particular trends in regard to the metropolitan areas which you believe could be reversed? You mention the attraction of industry to smaller towns.

MR. CHIPPERFIELD: I think that is the main thing. That is why most of our young lads leave the smaller towns. They finish high school or university, and they look for a job. They find they have to go to the city or to eastern Canada or to some other part of Canada for employment. That is one of the difficulties.

MR. GRAUER: Would that not be chiefly a problem for the towns involved? What are they doing to try to attract industries?

MR. CHIPPERFIELD: They are endeavouring to attract industries, but it is a pretty difficult proposition. I think we need some leadership from the senior governments, to give the smaller towns some assistance. Quite a few of the towns are trying to attract industries.

MR. HENDERSON: The problem is so very different here from what it is in Ontario and Quebec.

THE CHAIRMAN: I wanted to ask you a question on that one point, because it seems to me that the location of industry in the bigger centres is something that is not unique in Manitoba. Certainly it applies also in Ontario, and you hear the same difficulties expressed by the smaller communities in Ontario, that what they would like is to have some of the industries located throughout the country which for some reason or other seem to be attracted into the area between Oshawa and Hamilton.

All I am trying to say is that I do not think it is a different situation here, or I do not think it is different in Ontario than the situation we are talking about here in Manitoba; that there is a great tendency for industry to locate in the larger centres of population.

MR. HENDERSON: I think the main difference is that in Manitoba there is only one Winnipeg.

THE CHAIRMAN: In Ontario there is only one Toronto.

MR. HENDERSON: And that is a good, big one. But you also have a Hamilton, which is only 40 miles away. You have an Oshawa, you have a Smiths Falls, you have an Ottawa, which is an entirely different setup. You have a London. They all have industries; and even some very small places have quite a good deal of industry.

THE CHAIRMAN: Of course it is much more

exaggerated here.

MR. HENDERSON: We have not anything like that. The only thing we have is the salt mining at Neepawa and mining at Flin Flon; and that is it. Everything else is greater Winnipeg, as far as industry is concerned. That is a very important difference.

MR. GROSSE: I would hope the commission would take a look at what you might call rural industrial development in the United States, particularly in the great western states. If you will recall, we made some reference to the development of industrial development corporations.

In other words it seems to me that Canadian communities -- this does not just relate to Manitoba -- have to start to help themselves in this industrial development field. I agree that power and water and sewage facilities are basic factors that are important. I am not sure that I would go along with the thinking that all our industries want to go to large centres. I honestly believe that is not true any more. I think our industries are starting to spread out, and are anxious to get into smaller centres for reasons which are obvious.

But I think the smaller communities particularly -- and I am really talking about the small rural towns -- now have to face up to the fact that to attract industry they are going to have to have some special inducements that are attractive to industry; and I am not talking about subsidization or anything like that. I believe some of our United States

counterparts have found the answer in the development of industrial development corporations which are self-paying groups which provide buildings on a businesslike basis to industry. That saves the overhead required in putting up a building. They rent it at a businesslike rate; in other words there is no free rent or special privilege, but it is a sort of special approach. They say to an industry, "We have something special to offer you if you come to this community."

As a matter of fact, if the commission is interested -- I do not want to stick my nose in here where it is not wanted -- we actually had a group of businessmen here in Manitoba, including representatives of two or three of our smaller communities, four half a dozen of these towns immediately south of us, and they have made some positive recommendations in this regard. If the commission were interested we might make those recommendations available to you.

THE CHAIRMAN: Yes, we would like to have them.

MR. GROSSE: What I am getting at is that I think the secret of a lot of this lies within the community itself. This commission in its studies may be able to make some suggestions which would help give leadership to the kind of organization that is required, not only in Manitoba but in Ontario and Quebec and the maritimes.

THE CHAIRMAN: Thank you, Mr. Grosse.

MR. GUSHUE: What were the procedures

provided under the Municipal Improvements Assistance Act? How would a small community go about seeking that assistance?

MR. CHIPPERFIELD: It would apply to the provincial government, and they would either approve or disapprove of the loan. They would guarantee the debentures.

MR. GUSHUE: This question is just asked for clarification. In the beginning the brief states:

"The Manitoba Urban Association is a body incorporated by statute of the province of Manitoba representing the incorporated cities, towns, villages and suburban municipalities of Manitoba." That does not include Winnipeg or Brandon?

MR. CHIPPERFIELD: Yes, it includes all the cities and towns.

MR. GUSHUE: Just one other question. The brief urges that the senior governments should take steps to disperse industry more widely, which is a difficult operation. Is industry dispersed or attracted? Do you not usually attract industry rather than disperse it to other places by what my colleague called an overt act?

MR. CHIPPERFIELD: In a national emergency they would disperse it. In peacetime they would attract it.

THE CHAIRMAN: You do not care whether it is a push or a pull, as long as it gets there?

MR. CHIPPERFIELD: No.

MR. GUSHUE: Probably the pull would work better than the push?

MR. HENDERSON: I think we had that in mind, or something along that line, suggested by civil defence authorities.

MR. GUSHUE: As a wartime measure?

MR. HENDERSON: Yes, a wartime measure in peacetime.

MR. GRAUER: With defence production industries as such, that are immediately under the control of the federal government, that could be done by a push, as you say, as it has been done in the United States to quite an extent.

MR. STEWART: The basic changes which you have referred to in your brief, I suggest, would require a more general reorganization of the rural municipal structure.

MR. HENDERSON: Yes, I think that is very definitely so; and I think if we went into our presentation more deeply it would show that. The municipal boundaries in the province of Manitoba and indeed in western Canada certainly need re-alignment, and they need the elimination of overlapping.

We have at the present time our municipal boundaries; our health unit boundaries; our hospital areas; our school areas; regional high schools and so on, and they are not the same thing at all.

In the city I come from, Portage la Prairie,

we have our city boundaries; our health unit boundaries are different; our hospital area boundaries are different as well. Our high school areas are different and have different boundaries still. It makes a very difficult situation. It seems there should be a realignment of all the boundaries and that there should be perhaps one unit, one larger administrative unit.

MR. STEWART: You have that in the consolidated school development?

MR. HENDERSON: We have only one in the Dauphin area, and in Portage la Prairie we have the high school, which takes in a portion of the surrounding municipality.

MR. STEWART: Your municipal boundaries are pretty much as they have been since the province was established and organized government grew up. There has been no consolidation?

MR. HENDERSON: Practically none. I do not think there has been any.

MR. STEWART: Would it be your feeling generally that that kind of reorganization of the municipal structure and local government organization generally would strengthen the position of the kind of towns you are referring to?

MR. CHIPPERFIELD: I think possibly it would be of some help if the municipalities could be made a little larger, with one central administrative office; but I do not know whether that would solve the problem. I think the big thing is getting more people into the towns in the rural areas. I do not think

increasing the size of the municipalities would help too much along those lines.

MR. STEWART: What I had in mind was that in Alberta we are experimenting with the county system, and it does seem to me that the county system will help to establish a centre which is of more substantial size, and would tend to have an agglomerating effect; and that process of itself will provide something of a stimulus.

This could make for a larger centre, and a larger centre is more attractive to other things moving in there.

I do suggest that a general change to that kind of structure could help to perform the relative process of centralization, which is really what you want; centralization up to a point and then decentralization beyond that point.

MR. HENDERSON: We have now, I think, 190 municipal units in the province of Manitoba. Probably 60 would be plenty. It would be much more economic.

MR. STEWART: Do you have an equalization of assessments?

MR. HENDERSON: There is another hearing on that subject going on now, on the third floor of this building. That is the biggest fiasco we have.

MR. STEWART: A suggestion was made in Alberta that was received with mixed feelings, that for purposes of industrial development we needed some uniformity of assessment and taxes on industries as between different areas. Have you any ideas on that?

Today if somebody wants to attract an industry, do they just offer them some kind of low assessment or tax rate reduction, so as to get them in, and then you all start competing with one another on that basis and nobody gains?

MR. HENDERSON: We have at the present time a brief before the provincial government along that line, bringing forward the point that we were proposing to eliminate tax concessions or assessment concessions to industry. However, there are some towns in Manitoba, greater Winnipeg, the city of St. Boniface, the cities of Brandon and Portage la Prairie, where we have in our charters terms which permit a guaranteed assessment for a period of years. Ours is up to 20 years. They must provide the full cost of local improvement taxes, but for general municipal purposes you can give them a concession.

MR. STEWART: Supposing Portage la Prairie found an industry which was interested in developing there. Is it possible for Winnipeg or St. Boniface to underbid them as to concessions and conditions?

MR. HENDERSON: Yes, I think so; particularly St. Boniface. They have a very generous approach to an incoming industry. We have offered certain industries practically everything except shirts off our backs, and they have still located in the greater Winnipeg area.

MR. GUSHUE: That was not the shirt industry was it?

MR. HENDERSON: Yes, we lost a shirt industry; we lost a clothing industry to greater Winnipeg.

MR. GRAUER: That would indicate that they felt that other factors lowered their costs as compared with the incentives they got to go into smaller towns, would it not?

MR. HENDERSON: Those industries, like the clothing factory which we had in Portage, which burned down and relocated in Winnipeg, maintained that if they had the factory in Portage la Prairie, they would still have to have a sales organization or a show room in greater Winnipeg, so apparently it would increase their cost.

MR. GRAUER: That is the difficulty with this best size for a city which you apparently have in mind; that the size of some cities should go up and others should come down. I do not think anybody knows the best size, do they?

MR. HENDERSON: I do not think we would suggest trying to bring down any cities, but that we should stop the trend to centralize and keep a city from growing into a tremendous metropolitan area.

Manitoba is peculiar in that in western Canada we have only one Winnipeg; but Alberta has at least a Calgary and an Edmonton, and Saskatchewan has a Regina and a Saskatoon.

THE CHAIRMAN: How about British Columbia?

MR. HENDERSON: They have a Victoria and a Vancouver, and maybe even Kitimat.

MR. GRAUER: Of course you are aware that the big cities have their problems too. They testify that population is not the only answer. That

seems to have been rather stressed here today, but they tell us that because they have a large and rapidly growing population they need federal or provincial assistance.

MR. HENDERSON: I think the tenor of our brief, and we state it definitely, is that we are not asking for a handout. We state that we will pay for the services we want, and we wish them to be self-liquidating; but we are really asking for a lower rate of interest in order to put in these capital programmes. The only way we can get it is to either have provincial backing, which we have been unable to get so far, or probably federal assistance, which is more in the realm of your activity.

MR. GUSHUE: There have been approaches to the provincial government along these lines?

MR. HENDERSON: Yes, definitely. Briefs have been presented and resolutions have been passed.

I believe also, following the thought we expressed earlier, that we need another comprehensive look at the confederation scheme. I am not satisfied that the action of 1867 or 1864, started down in the cradle of confederation, foresaw the present situation in Canada; and I will not be happy until such time as we can have the federal, provincial and municipal authorities sit down together and work out a scheme for 1980 or 1990 or 2000.

I think probably your commission, touring all over Canada, might be able to recommend something along that line.

MR. GUSHUE: I was rather interested in the mild suggestion on page 7 of your brief. It may have been made a little lightly:

"We would, therefore, like to see you recommend steps to encourage more Canadians --"

And I take it from other provinces.

"--to take up residence in this province and to encourage immigrants from other lands to settle here."

I take it that the province would provide sanctuary for the members of the commission if we did make recommendations of that kind.

THE CHAIRMAN: Well, gentlemen, we are very grateful to you for coming here to give us the benefit of your views on this extremely important question. We are pleased to have your brief, and I think all we can say at this moment is that we will think about it and remember what you have said.

MR. CHIPPERFIELD: Thank you, Mr. Chairman. I think that is what we hoped would happen. As we said earlier, we are not asking for any handout and we are not suggesting that the money required in these smaller towns should come from the federal government. But we feel that the smaller towns are going to have to get some assistance in the form of making money available on easier terms. It is not only the interest rates you have to pay, but the smaller communities and municipalities have to sell their bonds at a discount and also have to pay a commission to the

brokerage firms, which brings the interest rate up to 5 1/2 per cent or 6 per cent, which is prohibitive for smaller communities.

MR. HENDERSON: Could we ask what is the approach, particularly in Manitoba and western Canada, with respect to the farm problem, if you will; the sale of farm products? The economy of Manitoba is basically supported by farming, and these smaller communities we are talking about are more or less centres of commerce for the farming population.

At the present moment, having in mind the flooding, the hail and the loss of crops over the past two years in our particular area, and also the inability to sell one particular commodity, wheat, that has a profound effect upon the whole economy of the province. Until such time as we can get a reasonable sale for the prime product, wheat, everyone within our economy is going to be constantly affected.

Our farmers are not producing what they can if they get the green light to produce. They could up their production 50 per cent in one year and 75 per cent and up to 100 per cent in two years, many of them; but if they cannot sell it, what is the good of producing it?

What is the approach to that in your commission?

THE CHAIRMAN: I can assure you that the members of this commission think that the production and marketing of agricultural products is a vitally important question, not only to western Canada but to

the whole country, and we are receiving the representations and views of different interests on that question and will undoubtedly receive more views and opinions in Saskatchewan and Alberta.

In the last two days we have heard some strong views and some views which seemed to us to differ to some extent, certainly, as to marketing methods. We expect to hear other views in Regina and again in Alberta, when we are there next week.

I do not think I can say more than that we recognize the vital importance of the question, as I said before, not only to this part of the country but to the whole country.

MR. HENDERSON: And would the terms of your reference -- of course your commission is national in character only, I suppose; but on the other hand it becomes international the moment you speak of wheat, in order to get rid of it, does it not?

THE CHAIRMAN: Our terms of reference do not include such things as the present policies of the United States or even the policies of the importing countries, quite obviously; but we are concerned about the whole agricultural production and marketing question, and quite definitely in considering it we have to take into account the facts of life outside of Canada as well as inside Canada, even though it may be that Canadians will not be able to do whatever they would like to do about some of these things.

MR. HENDERSON: I think I see the

problem you have in mind. However, looking at it from a social and a moral point of view, I think we have a moral responsibility as well to try to see that the food we produce gets to the people who need it in the fellowship of nations.

THE CHAIRMAN: Well, thank you very much, gentlemen. We are grateful to you for coming here. We shall adjourn now.

---At 11.15 a. m. the commission adjourned.

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